★ HOW CLOSE TO THE BOTTOM? ★



# The MAGAZINE of WALL STREET

## and BUSINESS ANALYST

MARCH 29, 1947

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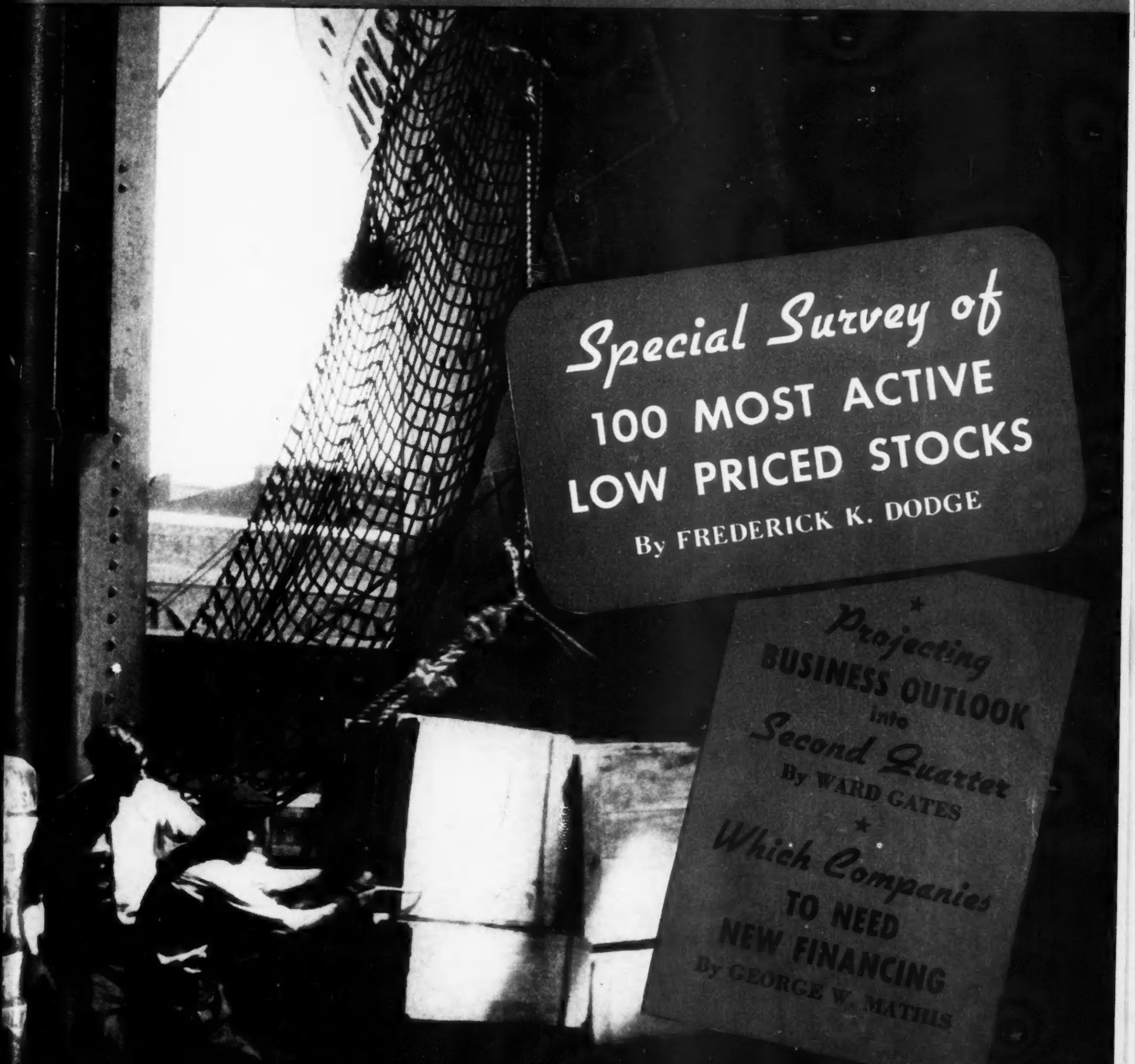

# THE MAGAZINE OF WALL STREET and BUSINESS ANALYST

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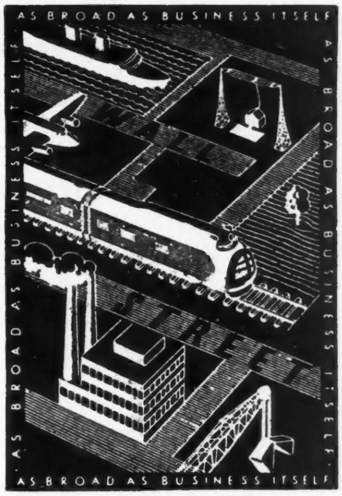
**THE MAGAZINE OF WALL STREET**
C. G. Wyckoff, *Publisher*




# The Trend of Events

**PROFITS AND PRICES:** While a few of the Nation's industrial managements have had the vision and courage to announce price cuts, the laggard pace taken by the great majority to follow suit is unfortunate. This has become evident as the full account of 1946 net earnings approaches its end. Broadly viewed, it may appear heartening to the economy in our Land of Free Enterprise to note record peacetime profits during the first year of transition, but there is danger in some aspects of this super prosperity. To ride on this shining rainbow with an eye on easy profits rather than on medium term reactions, until it begins to fade, could create trouble of the first magnitude. The obvious day to preclude such a calamity is for all companies who can clearly afford to lower prices to implement such a program at once rather than await the spur of later competition.

Taking the economy as a whole, it is no doubt true that over-all profits last year in relation to sales or to invested capital were not at all out of line with normalcy in good times. We could, however, name dozens of sound concerns whose net earnings in 1946 were 100% above those of any previous year in their history and in some cases as much as six times all prior records. If such glorified performance is repeated in 1947, with no attempt to ease the burdens of hard pressed consumers, both labor and the public will be goaded into wholly needless antagonism and resentment. In special instances, therefore, the inertia delaying price cuts seems not only inexcusable but sheer folly. As a matter of self preservation, clear-headed and able managements must become alert to dangers arising from what can only be termed profiteering from transient scarcities, that is, if they care a whit about stabilizing our form of enterprise. The responsibility rests squarely on the shoulders of a relatively few large concerns, many doing an international business, whose profit potentials for the current year should be voluntarily reduced through price cuts, although with no need for creating criticism from their shareholders. If producers of consumer goods will follow the example of Ford, International Harvester and Du Pont, all may yet turn out well, but the urge to act must originate individually and be based upon wise thinking.

**BRITISH MORALE:** Perhaps no bill yet passed by British Parliament has occasioned so much uproar and hectic debate as the one restricting operations of race tracks to one day a week. While this move was rationally inspired to conserve light and power during the current economic crisis, its impact upon millions of citizens was seemingly immense. Sports are to every Britisher, from King to coal miner, tops on the list of the Four Freedoms. And what is more, a guess as to winners must be backed by good hard cash, whether it be a shilling or many sovereigns. To be forced to forego a traditional trip to the dog or pony races on Wednesdays hereafter, even to the benefit of the home table or to employment itself, appears to be one of the hardest pills the British public has had to swallow. If this basic love of risking hard-earned pennies and pounds be gambling, then gambling should no longer be decried by well meaning purists. So strongly ingrained in the British blood has it become to applaud successful competition and

to accept defeat without a whimper that this characteristic may in the end settle the nation's economic and political destiny. To a Britisher a sure thing is anathema, but to take a chance is worth life and fortune. Right now the majority are betting that their new experiment in Government will be a winner, and until time proves the outcome, they inwardly enjoy all the strain and tension involved. And the best part of it is that if they lose the wager, as is usually the case at the tracks, they will exhibit thoroughly good sportsmanship. With no loss of time they will scan the political sheets for the next best bet and set their chins for a new battle at the polls. If any bookmaker is offering odds against the British themselves, he would find plenty of American takers.

**ADMINISTRATIVE PROCEDURES:** If all the hubbub over balancing the budget results in little more than a compromise settlement not entirely satisfactory to anyone, at least it will have awakened the nation to what a far-flung business our Government now undertakes to manage. The astronomical amounts of income and outgo involved naturally give a clue to the magnitude of the Federal enterprise and with the knowledge that more than two million civilian employees are needed to keep the wheels running, the over-all picture becomes still more clear. Only a few decades ago, the headlines blazed with news that for the first time in history we had a "billion-dollar Congress": now we have one more than 30 times as large, and with the expenses of general Government alone topping 1½ billion. But getting deeper than mere dollar considerations are those of the organizational set-up responsible for the high cost of being governed. Granted that in both theory and in practice the taxpayer derives some advantage from the multiple Federal bureaus and sub-bureaus, the patchwork process by which they have been built up during the past fifteen years indicates room for a drastic overhauling. So complex has the administrative structure become that only a handpicked body of outstanding business experts could hope to unscramble the welter of needless or overlapping functions of the various departments, much less reassemble them in line with modern efficiency standards. This immense job will require time and effort to accomplish but it should be started right away, as urged already by certain Congressional leaders and industrialists. The task is one far above the ability of any one Chief Executive to undertake, and involves too much departmental rivalry for the Cabinet members to tackle by themselves. Politics, too, must be left entirely out of the picture, thus calling for the highest measure of Statesmanship by Congressmen when it comes to approving the radical but sound steps which their appointees are sure to recommend. In the end there will be loud complaints from pressure groups of every kind that past privileges and benefits they enjoyed have been taken away, while at the administrative level claims will be made that efficiency has been tossed out of the window. But sober thinkers are realizing that with the elimination of genuine waste and with the advent of sensibly streamlined operations, a vast degree of improvement will be forthcoming. Ultimately, the overburdened taxpayer can look forward to receiving better and better service at the hands of his Government, although in the process it should no longer be necessary for every twenty families in the land to support one more in Washington.

**A STATESMAN SPEAKS:** When Senator Vandenberg recently left his rostrum for the Senate floor to warn against partisanship of any kind in discussing the President's plea for aid to Greece and Turkey, his brief pronouncements carried immense significance. Hopefully, his remarks may sow the seeds for a major change in political thinking in the near term. His rebuke to Acting Chairman Sullivan of the Democratic National Committee for proposing a joint Party declaration for backing up Mr. Truman was the utterance of a great statesman rather than of a Republican opportunist. If the gist of his sentiments sinks deep into the minds of our legislators, regardless of their Party affiliations, it could well mark a heartening return of Congressional philosophy characteristic of the early days when our Republic was in the making. In those times, the moulders of our political system, while divided into two camps as now, were of a type which needed no reminder that above Party loyalty personal conscience was transcendent. During the centuries, however, the scramble for personal power and local approbation, has resulted in Party cleavages quite artificial in terms and rigidity. With a constant eye on the polling booths rather than on the Country's best considered development, discipline has tendered to smother individual thought to a considerable extent. At a time, accordingly, when unprecedented domestic as well as foreign problems are on the docket for solution. Congressmen will be put to an acid test in registering their votes on Capitol Hill. If Party lines are disrupted broadly in the determination of labor, tax and budgetary legislation, the Nation will applaud rather than condemn the reverse trend towards the strong thinking of our forebears. In this event, thanks should be rendered to Senator Vandenberg for his forthright stand.

Note to Readers: We believe you will find this issue of The Magazine of Wall Street of keen interest . . . it has been planned that way. The article on the outlook for second quarter business which starts on page 716 is significant. The commodity price story on page 719 is most timely. "The Future of the Sterling Area" is a deep, informative consideration of an outstanding world problem. Investors will find much of interest in our study of the 100 most active low priced stocks on page 736. And, remember, if you have suggestions as to what you want to see in our magazine please don't hesitate to let us know.

# As I See It!

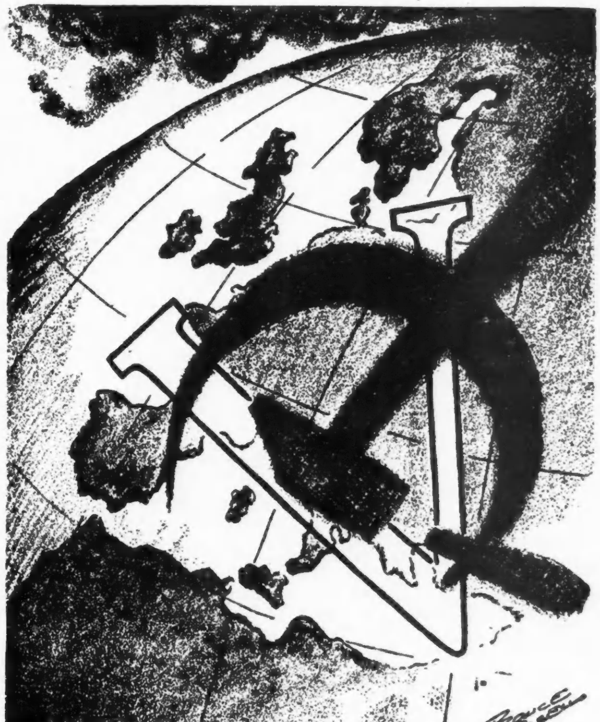
By ROBERT GUISE

## UP TO NOW

THE FIRST REACTION to Mr. Truman's plea for aid to Greece and Turkey was spontaneously good. But, as might be expected, this was followed by attempts in various quarters to rationalize the questions involved. As a result many erroneous conclusions are being drawn, although Acting Secretary of State Acheson's frank replies to his Congressional questioners should tend to clarify the minds of all doubters at home and abroad.

Narrow-minded critics must learn that our newly evolved foreign policy cannot be shackled to any set of rigid rules, for the variations and complexities of the individual situations will preclude the use of such a pattern. It is enough to know that the United States, as permitted by the Atlantic Charter and by United Nations regulations, intends to use its full economic and financial weight to help any and all nations to conserve their freedom and resist inroads on their liberties from outside countries. In the cases now to the front, the infiltrations of Soviet Russia constitute a threat not only to the two small nations near her door but to all Democratic countries as well, but the Red veto would deter the United Nations from taking corrective steps. Hence it is up to us to step into the breech without delay. The firm stand taken by Secretary Marshall at Moscow is reaffirming our determined policies and stimulating the courage of struggling Nations all over the world.

Already in France the numerous political parties are forming Communist and Anti-Communist groups ready to fight for their beliefs. Encouraged by our heartening stand there is no longer that terrible fear that the United States will remain aloof, impotent, while Russia pushes ahead to engulf the world. France now feels strengthened to take a definite stand, for its citizens recognize that we really mean business and will not leave them to the mercy of the Kremlin.



Russell in the Los Angeles Times

**"World Communism Is the Enemy"**

As for Greece, the criticism that this country is not a democracy is entirely without basis. The people by an overwhelming majority chose their own Government as the result of a free election supervised by the United States and Great Britain. Only Russia refused her chance to help oversee this job. With only 13,000 armed guerillas fighting the constituted authorities, the tail is attempting to wag the dog in Greece and force its will upon the entire country. Had Mr. Churchill's sound plan to invade Germany through Greece and the Balkans been carried out, Russia never could have rounded up all its satellites in Eastern Europe as it now has, nor would the Greek freedom now be threatened. As matters stand, this country's independence must be assured, as it is a last barrier against the Communist flood.

The surprise inclusion of Turkey in our State Department plans denotes a similar crisis with Russia, due to the Red's insistence upon partial control of the Dardenelles. Such an enforced arrangement neither the United States nor any of the Western nations can permit, in view of the importance of our Mid East oil holdings and the need for unrestricted trade in that area and in the Far East. Experience has taught us that if Russia once got a toe hold on these strategic straits, she would at once shut out all foreign commerce. Because Turkey straddled in the war is no argument against her. Turkey was on a hot spot during hostilities, and, though neutral, forced Germany to allow hundreds of millions of goods to come through the Balkans to Constantinople and thence to Iran and on to Russia. The case for Turkey is a strong one.

In discussing China, those who choose to say that we have deserted this nation while championing Greece are leaning upon generalities. Local factors in these two countries (*Please turn to page* 767)

# What To Do In This Market

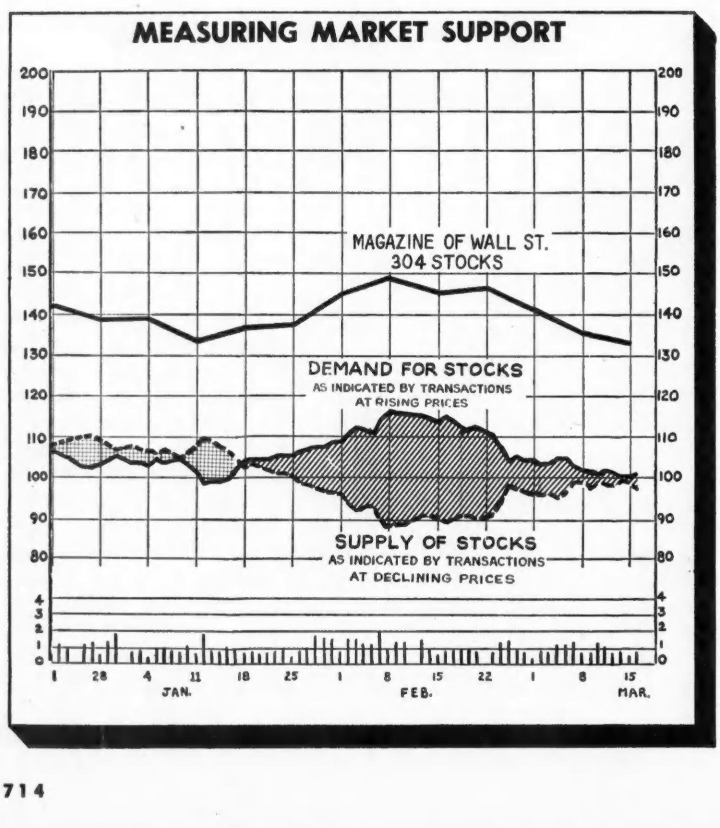
**The decline from the recovery highs having halted, March 15, above the January support level, a moderate rally has followed up to this writing. No movement will be of decisive significance until either the February top is bettered or last October's bear-market lows are broken. New purchases should be deferred and caution maintained.**

**By A. T. MILLER**

It is most unlikely that the market will go on much longer with the narrow movement and unusually low volume of transactions which have mostly characterized the performance since our last previous analysis was written. The technical position is one from which there must before long develop either more rally or a break through the mid-January reaction lows in the daily averages, in which event it would take a further sell-off of only a relatively few points to bring up a test of the bear-market lows of last autumn.

It attempting to forsee which way the decision should swing, not much aid is provided by the recent or immediate technical indications. The trend has been generally downward, interrupted by small occasional upturns, since the recovery highs were established in the forepart of February. By March 15 both the industrial and rail averages had slipped to within fractions of their January lows—which are key support levels so far as the intermediate trend is concerned—but did not violate them. The latter is all that matters—so long as it holds true.

But whether the decline that began in February has been completed, at a level leaving the previous 1947 trading range intact, is an open question; and only the market's own action in coming days can supply the answer. The rally from the March 15 lows to this writing has been too restricted in scope and volume to carry much conviction. The market remains largely a professional proposition, with the general public doing very little. The professionals seem to be more bearish or cautious, than bullish. Hence they are unlikely to follow a rally more than a little distance. This reasoning suggests that—barring some surprising piece of good news—the list will meet effective offerings under the February highs, and then be confronted with a further downside test.



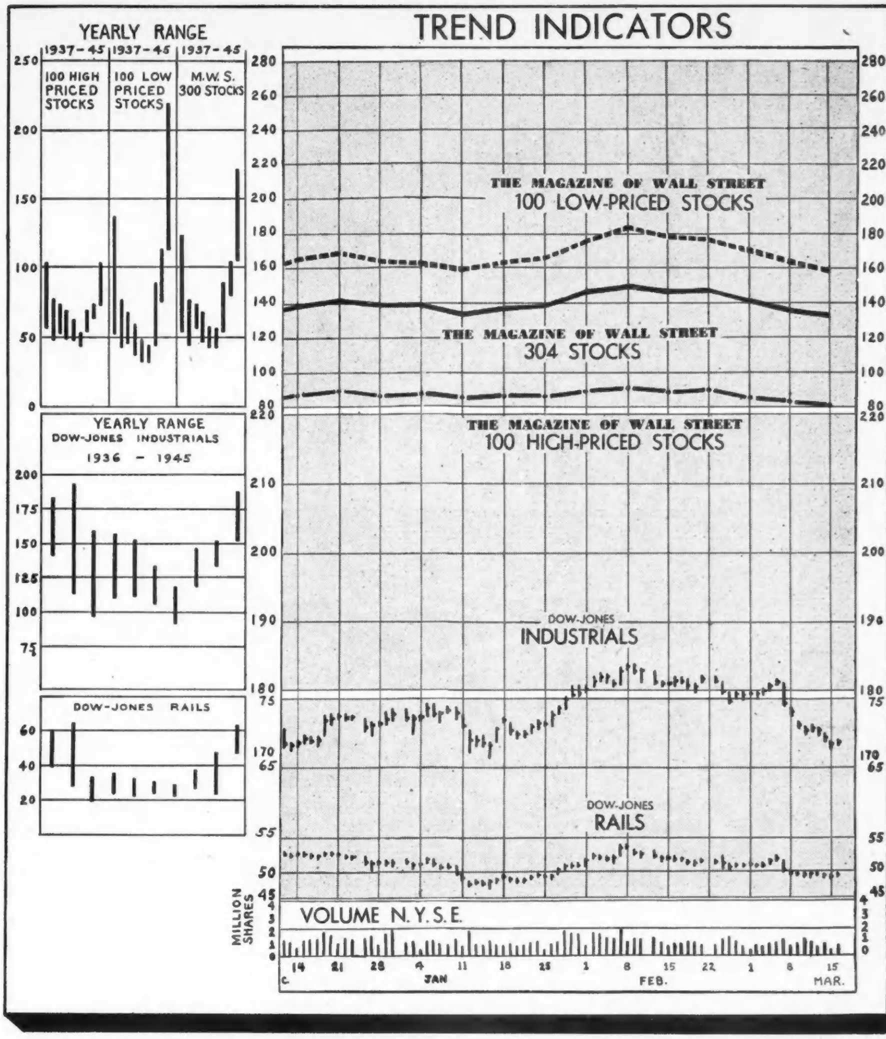

### The Large Short Position

However, one reservation is in order. There is a limit to what the kind of selling of recent weeks can do in depressing stock prices — unless it scares in enough public liquidation to make short-covering relatively easy. There is a large short position at present: large, this is, by existing thin-market standards. It *could* become over-crowded and nervous, although one can have no basis for a prediction that it will or will not. For instance, enough short-covering to produce a rather sharp rally conceivably could develop if, on the next sell-off test, the January support levels still hold intact and a little better investment demand is seen for pivotal leaders. A close test of the February highs appears improbable at least

until adequate downside support has been demonstrated over a somewhat longer time than is the case now.

The major trend will, of course, remain in doubt until the market penetrates either the lows of last autumn (163.12 and 44.69, respectively in the Dow industrial and rail averages), or the February recovery highs of 184.49 and 53.42, respectively. Meanwhile, every move rates as an "in between" affair, of limited significance for average investment purposes.

In concluding our analysis from the technical sides, it need only be added that the position shown on the Support indicator, charted on the opposite page, is, like that of the averages, an indecisive one, out of which either definite improvement or important deterioration can shape up quickly. As of March 14, the contraction in the margin of support stopped only a little short of reversing the buying signal given last January 18. That it did stop on the right side, however, and then broadened appreciably last week, is enough for the present. No fresh indications of importance have been provided by recent variations in the spread between our low-price and high-price stock indexes.

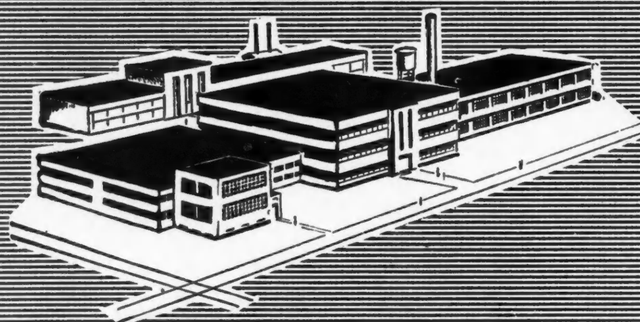



## Some Business Recession Indicated

We note increasing agreement among economists—and considerably less dissent from business men—that a business recession will probably begin either in the third or fourth quarter, and run over for at least a few months into 1948. There is plenty of room for error in trying to forecast either the exact timing or the scope of such a correction; but, in our opinion, there is no basis for believing that a readjustment similar to that of 1920-1921, although less severe, can be escaped. To contend otherwise is to argue that an inflationary sellers' market, such as this country has had for a long time, can be gradually transformed into a stable-price prosperity without any intervening jolt to the economy. It never has happened in that painless way, and there is no reason to suppose it ever can. There are four chief reasons why a deflationary correction seems inevitable.

First, the rise in prices, especially since last summer, has outrun the dollar increase in over-all consumer income, substantially reducing real purchasing power. Second, the general price level is not only somewhat higher than is called for by the basic depreciation of the dollar (as a result of the Government's vast wartime deficit financing) but is badly unbalanced. Farm and food prices, most textiles and many individual items are grossly inflated. Third, an abnormal amount of production has been for inventory expansion—"to fill the pipe lines"—so that the mere cessation of inventory rise will leave a gap in production unless something else, such as increased building activity or sharply higher exports, takes its place. But at its present high cost, building volume in dollars is more likely to recede than advance; and it is improbable that the new anti-Communist foreign policy will raise exports, over the next 12 months, by more than some 5% to 8% from the present abnormally high level. And we will be confronted by more than a halt in production for inventory. When that happens, and prices turn down, it will be found that inventories in a number of lines are (*Please turn to page* 767)

# *Projecting . . .* Business Outlook INTO Second Quarter



By WARD GATES

With so much debate over business prospects in the second quarter, businessmen and investors must consider with more than ordinary care the varying factors and mixed trends now apparent. Because of the unusual changes taking place, broad generalizations as to business outlook are of doubtful value. In this review we shall limit ourselves to the second quarter, and to an examination of the following major factors: commodity prices, position in the business cycle, industrial production, consumer income and trade, corporate earnings, dividends, and credit conditions, plus that intangible factor—the psychological reaction of the public to political and economic developments.

In appraising the second quarter outlook, it is important to bear in mind two unpleasant facts: first, the numerous forecasts made by both government and private economists of a recession in business and prices later this year; and second, the possibility of another world war due to Russia's aggressive policy of communist domination in many countries, which businessmen are at the moment inclined to minimize, yet dare not ignore.

**1. Commodity Prices.** Undoubtedly the most serious cause of concern (aside from the war scare) in the whole business outlook is the renewed upsurge of commodity prices during the past two months. When the year 1947 began, there were widespread indications that the postwar rise in prices had about run its course and would be replaced by stability, then followed by a gradual long-term downtrend as production and stocks continued to increase and normal competition returned. A number of sharp price declines had already occurred in such important lines as furs, raw cotton, platinum, silver, jewelry, butter, and citrus fruits.

It is probable that most analysts at that time would have expressed the opinion that the danger of inflation — speaking generally — had practically come to an end, meaning that a 40% to 50% rise in wholesale prices established our new postwar price level and that the existing inflation would grow no worse. That the signs supporting such a conclusion were numerous and logical affords one more illustration of the hazards involved in prophecy.

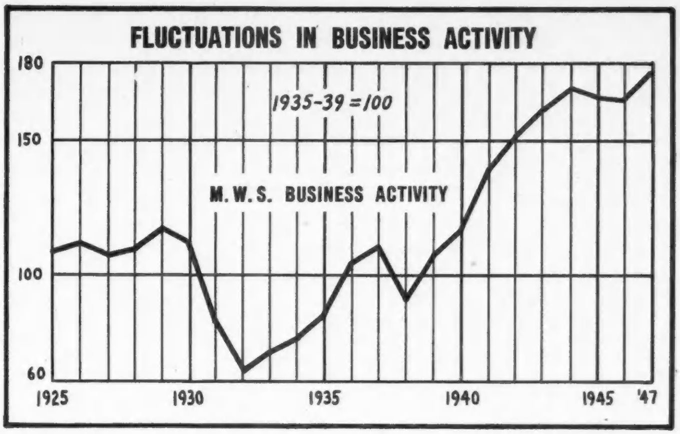
With prices of grains, livestock, metals and other basic commodities breaking away from the temporary and false "stability" and soaring upwards to new high records, all expectations of stabilizing the cost of living are destroyed for the time being. Threats are revived for another round of demands for wage increases, and another series of strikes interrupting production and trade.

In contrast with the generally successful control over wages and prices during the war, most of the increases have come since VJ-day. According to the Department of Labor, the increase from the middle of August 1945 to the latter part of March 1947 in the cost of living index is 18%, while the broad index of 900 commodities at wholesale is up 43%, and the sensitive index of 28 basic commodities is up 83%. The accompanying long-term chart of wholesale prices shows a grewsome similarity with the inflation after World War I that ended in the 1920-21 collapse.

Not all prices have risen this year, and in numerous spots prices are in fact quite soft. The recent price reductions announced by International Harvester Company on agricultural implements, and Pullman Company on railroad freight cars, follow-

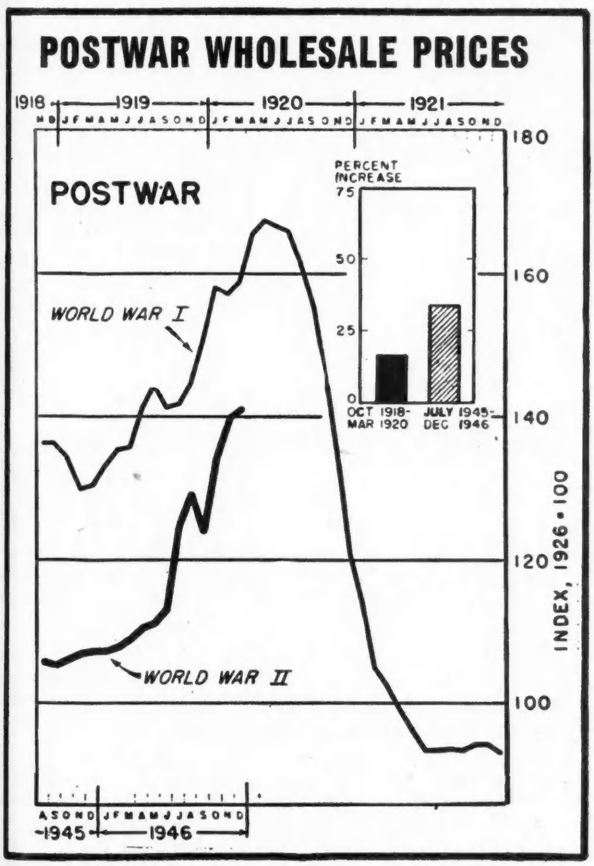
ing similar action earlier in the year by Ford Motor Company, will be strong restraining influences. Recent price cuts have been made also by manufacturers of electric refrigerators, radios, certain textiles, hosiery, and cigars, but prices have been marked up on petroleum products, bread, and soap.

There have been scattered retail price reductions in consumers' goods, but most of these are said to be for clearing out substandard merchandise. When replaced by standard quality merchandise, the dealers find in most cases that the manufacturers' prices are firm or rising, due to the high costs of raw materials and labor. A comprehensive discussion of prices is given in another article in this issue.




**2. Position in business cycle.** It is fundamental to note, though hardly necessary to elaborate, the fact that business activity is now around the top of a boom cycle, as shown by the long-term chart. This does not mean that it may not edge somewhat higher; indications are that the climb in January and February was continued in March, and may be further extended by durable goods industries operating at full swing in the second quarter.

These same signs, however, serve clear notice that many of the usual conditions and the psychology accompanying a boom period are present today—high production, high prices, high inventories, expansion in plant capacity, new capital financing, shortages of material, scarcity of labor, inflation of bank credit, complaints against the high cost of living, plans for great future growth based upon the projection of recent trends, etc. Warnings of a reaction from these conditions have been circulated widely, even though they may be exaggerated or premature.




**3. Industrial Production.** While the heavy industrial production since the war has caught up with demand in many lines, aggregate production is still short of total demand, including deferred needs and the refilling of distribution channels. Steel output has risen to 96% of a greatly enlarged capacity; the mills are having great difficulty in obtaining sufficient scrap, despite having raised bids to nearly $40 per ton, or as high as the price on finished steel products a few years ago. Demand for new steel still exceeds the supply.

Automobile production since hitting its stride recently has been turning out more than 100,000 cars and trucks per week, a rate of better than 5,000,000 per year. All the companies in this business are enjoying a huge demand on the part of the public, despite the increased prices that have been necessary to cover higher labor and material costs. Considerable cancellation of duplicate orders has been reported, but the real competitive test of the smaller and newer companies, as well as the "Big Three," will not come until it becomes harder to sell cars than to make them.

Textile production continues heavy, but still insufficient to satisfy the demand. Conditions are puzzling, and appear much more favorable to the industry than was thought possible six months ago, yet many observers cannot believe that all the current production of cotton, woolen and rayon goods is being consumed (including exports of less than 10%) and wonder if large undisclosed stocks are being held off the market—similar to the unexpectedly heavy speculative holdings of raw cotton revealed when the market broke last Fall.

There have been a number of reports that textile mills are unable to sell goods, that clothing manufacturers are not buying until they and their re-

tailers can dispose of substandard goods and work down inventories, and that there is bitter consumer resistance to the higher prices, but it cannot be determined how typical these instances are of conditions in the industry as a whole.

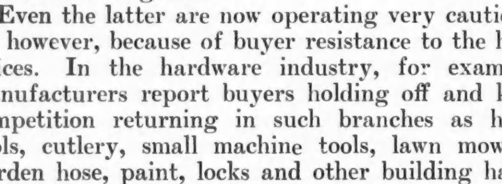
Certain industries have an assured market for many months to come because of accumulated demands still far from filled. This is true of railroad freight and passenger cars, locomotives, trucks and buses, truck and bus tires, electric motors and generating equipment, office equipment, and many kinds of industrial machinery.

In following the 1947 trend of industrial production, allowance must be made for the curtailment in the early months of 1946 due to strikes, reconversion difficulties, and material shortages; otherwise the current figures will show such high percentage gains over a year ago as to be misleading.

**4. Consumer Income and Trade.** National income which set a new high record of $165 billion last year has now climbed into the 170s, aided by continued high farm income and by general increases in wages and salaries. Retail trade is still showing gains over last year, but the percentages are narrowing and now represent little, if anything, over the markup of selling prices. Moreover, the expected shift from "soft" goods to consumers' durables is now reflected in the published statistics. Specialty and apparel stores are not faring so well as those dealers, including department store, chain store, and mail order organizations, who handle a substantial portion of "hard" goods.

Even the latter are now operating very cautiously, however, because of buyer resistance to the high prices. In the hardware industry, for example, manufacturers report buyers holding off and keen competition returning in such branches as hand tools, cutlery, small machine tools, lawn mowers, garden hose, paint, locks and other building hardware, kitchen utensils, and general appliances. It is interesting to find many dealers reluctant to buy

**HOW THE CONSUMER'S DOLLAR WAS SPENT IN 1946**




most of the "new" products (plastics, etc.) developed during and since the war, because customers prefer the familiar products made of standard materials. Forward purchases of luxury items also have slumped badly.

Retailing is fast returning to a condition where sound values and sales effort are again essential for success, even for survival. A large part of the public is squeezed by the advance in living costs, especially groceries. It is no longer much interested in "dream products" or new automobiles and household appliances merely because they are new; on the contrary, it is buying only what it has to, unhappy at the continued markup of prices, feeling that it is not getting its money's worth but having to "pay through the nose." Even utility bills in some sections are showing a rather serious increase in delinquencies. In short, more and more people are finding the going "tough."

**5. Corporate Earnings.** The high earnings in 1946 of corporations that were able to operate at capacity rates, without interruption by labor troubles or material shortages, are now a matter of history; the same is true of those companies that were held back in the early months but made a spectacular recovery in the last half year, and particularly the final quarter.

For a representative group of large industrial corporations, the 1946 net income in the first quarter was 46% below 1945, rising in the second quarter to 8% above, in the third quarter to 49% above, and in the fourth quarter to 79% above. The full year's increase of 22% does not reveal these wide fluctuations, in which the fourth quarter rate was more than three times the first.

Earnings in the first half of 1947, according to present indications, should continue at a relatively high level. This, however, does not mean as high as in the fourth quarter of 1946, when earnings were swelled by the rapid rise of prices following the end of OPA controls. This caused real earnings to be overstated due to the rise in inventory valuations, unless offset by using the last-in-first-out method or setting up reserves, and permitted a jump in operating margins by marking up selling prices on finished goods, for which there was still tremendous demand, faster than production costs increased. Therefore the high percentage gains over the first half of 1946 will have little significance in making 1947 comparisons.

Moreover, consideration must be given to the current high labor and material costs—in effect only part of last year, the increasing competition and buyer resistance, the fact that tax advantages resulting from elimination of the excess profits tax will not recur this year, and that tax refunds from the carryback of unused excess profits tax credits ceased to be available after January 1, 1947. The present corporate normal-surtax of 38% (plus 1% penalty tax on consolidated returns) is twice the rate of 19% in 1939, then considered very high.

**6. Dividends.** The number of dividend increases and resumptions con- (*Please turn to page 764*)

# Weighing Changing Trends IN COMMODITY PRICES

By JOHN D. C. WELDON

INCREASES OF ONE TO THREE CENTS a loaf in the price of bread have focused the attention of the nation on the international food crisis. For some weeks prior thereto, prices of all grains and especially wheat had been soaring as a result of heavy governmental buying for Europe but it was not until the price of bread was hiked that the general public sat up and took notice. The price of bread is a powerful psychological factor and has been since the days of ancient Rome if not before.

Last Fall after OPA decontrol, prices of farm products—already high with respect to the general commodity price level—soared briefly and then settled down into what appeared to be a steady decline towards pre-war levels. At that time, the air was full of predictions that the peak of the post-war commodity price advance had been attained and that 1947 would witness a sharp decline in the price level such as had occurred in late 1920 and 1921. Increased production of both agricultural and industrial products coupled with consumer resistance to high prices were expected to virtually guarantee continuation of the decline already apparently under way. It was assumed rather generally that organized labor would recognize that the flare-up in the cost of living was only a fleeting episode and would not upset the applecart by making demands for higher wages commensurate with the increases in living costs.

### The Price Climb in January

About the middle of January, everything went haywire. The price of butter, the bell-wether of the prognosticators, started to climb again after having made one of the most violent nose dives in history. Livestock prices steadied and then began to advance. These reversals of the trend were attributed to the heavy snows that had prevented farmers from marketing their products and consequently were regarded as only temporary. Then, despite the largest crop in history in 1946 and with prospects of an even larger crop in 1947, wheat prices commenced to gain under the impact of steady and persistent government buying of wheat and flour for European relief. In other primary and secondary commodity markets, prices began to mount at about the same time as buyers who had been holding off came in for necessitous purchases.

In no time at all, sentiment was completely reversed. Many business men decided that the economists who had been predicting price declines and business recession for 1947 were completely in error, and that we had entered upon a new era of unexampled prosperity. How could prices decline when there were so many goods in short supply? How could prices of goods decline when the price of production was being pushed constantly higher? The economists retired to their ivory towers, muttering "Well, we warned you," and left the matter of forecasting to business men.

### European Wheat Damaged

The winter wheat crops of Europe have been severely damaged by the unusually cold weather this Winter. The extent of the damage will not be known until the harvests this Spring. To be sure, every effort will be made to increase the production of spring-planted grains but these increases cannot offset the losses from the important winter wheat crop. This season, ending June 30, 1947, some 720 million bushels of grain will have been shipped to Europe. Next season, some billion or more bushels may be needed. Of course, not all of this will come from the United States. Canada, Australia, New Zealand, and South America will supply a large part.

The United States normally is not an exporter of wheat. Protected by tariff walls and government price supports, the price of wheat usually is higher here than in other countries. Prior to the War, Western Europe—goaded by signs of the impending conflict—came close to achieving self-sufficiency in food production. The Balkans and the Ukraine supplied part of the deficit. Britain drew primarily

upon Canada and Australia, and, to a lesser extent, upon South America. For several years, crops in the Southern Hemisphere have been curtailed by drought. On the other hand, crops in the United States and Canada have been very large.

Primarily, leaving the weather aside, the shortage of foodstuffs in Europe is the result of the war and of changes in political boundaries. During the war, cattle were slaughtered to conserve grains. Hence, there is greater dependence upon grains for food than formerly. Several years necessarily must elapse before livestock numbers can be built up sufficiently. Fertilizer and farm equipment for producing field crops are scarce. Farmers are somewhat distrustful of the currency in a number of countries, and are not disposed to over exert themselves. All of this is nothing new. The situation was very much the same after World War I. This time, however, Germany is divided, with Russia controlling the principal agricultural area and permitting little or nothing to be moved into the American and British zones. And Russia, too, is short of foodstuffs although the situation appears to be much less critical than just after World War I.

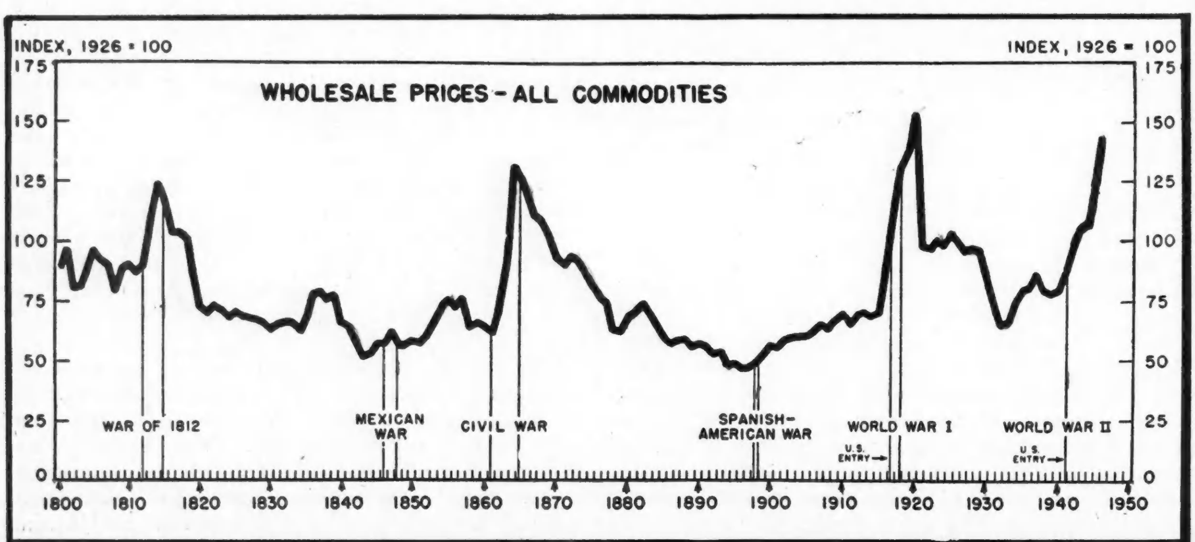
Morale is at a low ebb in Europe. People are tired, undernourished, and discouraged. If democracy is to survive, the people must be reasonably well fed first of all. That is axiomatic. But the situation, while serious, appears not to be desperate. Agriculture has amazing recuperative powers, particularly when encouraged by high prices. There are hopeful signs, possibly only straws in the wind but nevertheless important, such as that Burma is shipping rice again, the rice crop in Uruguay is sharply increased, and Australia and New Zealand appear likely to produce more grains next season for export. On the law of averages, the weather should be better in Europe next Winter.

Another year or another two years will probably witness the end of European dependence upon the United States as a source of grain supplies. That seems to be a reasonable certainty unless some series of catastrophies occurs to crops in other parts of the world. As noted previously, the United States normally is not an exporter of wheat owing to the fact that our prices mostly are held above the world level. Importing countries will not buy wheat from the United States when they can get it cheaper elsewhere at the "world" price. With free international trade restricted, however, there has been little semblance until recently of world prices for grains or for most other international commodities. To some extent, the recent sharp advance in wheat prices in the United States has represented an adjustment to the world level. Most U. S. farm products appear to be at or above the prices at which they can be obtained in other countries.

### Wheat at $3 a Bushel

The scramble for wheat and flour supplies plus speculative activity have lifted wheat prices to close to $3.00 a bushel as this is written. Current prices are the highest since 1917. Hog prices have shattered all previous records. Lard and vegetable oils are much higher than ever before. Grease and tallow for soap-making are selling for three times as much as under OPA. The Government has bought only grains and flour for shipment to Europe, yet many other commodities have shared in the general advance stimulated by the strength in grains.

As a result of this frenzied upsurge, the wholesale food price index of the Bureau of Labor Statistics now stands at 171 (average of 1926 equals 100) as against 154 at the end of January. In the inflationary period following World War I, the highest point attained by the food price index was 149, in June of 1920. Conceivably, food prices may continue to register further advances in the near future. The average family in the United States is spending such an unusually large part of its income at the grocery store and meat market that there isn't much left with which to buy anything else. The sales figures show this to be true. Our national income of around 180 billion dollars, far



and away the largest in history, simply isn't big enough to absorb all the goods being produced at the prices asked.

The Bureau of Agricultural Economics, USDA, recently stated that the real income—purchasing power—of wage and salary earners has been declining almost continuously since V-J Day. The Nathan report called attention to the same imbalance and came to the conclusion that the answer was to raise wages without raising the cost of the goods produced! If it were only as simple as that, national income could be stepped up some 20 or 30 billion dollars to the level necessary to absorb the current tremendous production of goods. Unfortunately, however, raising wages and salaries cannot be accomplished without raising the costs of goods of which wages are a component. Essentially, this provides further stimulus to the inflationary price spiral, and, as the cost of goods is increased, more and more potential consumers are "priced out" of the markets.

### Will Price Continue to Spiral Upwards?

Are we or are we not caught in a vicious inflationary spiral from which we cannot escape? There are few who would deny needed assistance to Western Europe or to Greece or Turkey. But will the sending of food abroad continue to create scarcity conditions, and hence spiralling prices in this country? I think not. This is said with full recognition of the fact that organized labor will demand higher wages during the next few months and that the probabilities are that at least a portion of these demands will be met. In all likelihood, these will be the last general wage increases for years to come. From here on out, labor will be on the defensive, attempting to preserve its wartime and immediate post-war gains rather than endeavoring to strive for ever higher wages.

For the truth of the matter appears to be that a reversal of the price cycle is not far distant. The Federal Reserve Board index of industrial production currently is about 190 (average of 1935-39 equals 100) and the conclusion is inescapable that a considerable portion of this production is accumulating in inventories. This is particularly true of soft or nondurable goods where production is 10 to 15 percent higher than a year ago while retail sales are running some 20 per cent under a year ago. (Data on sales of department stores, shoe stores, and apparel shops show dollar volume only a few percent higher than a year ago notwithstanding the sharp price increases during the interim.) Production of durable goods is just beginning to catch up with demand, but has already caught up in some instances such as small radios and certain household electrical appliances. Automobiles have a long way to go yet. Residential building, judging from the contract awards and from reports filtering in from various parts of the country, has slowed down considerably owing to high costs.

Inevitably, it appears, a halt will be called soon to further inventory accumulations of high priced goods, and production of these goods will be curtailed at least to levels commensurate with retail offtake. This means decreased employment and decreased national income which undoubtedly will result in some contraction of the demand for the scarcer durable goods. Measured in the overall, 1947 will be a good year with the average levels of national income and industrial production moderately higher than in 1946 but with the last half of the year averaging somewhat lower than the first half. So, at least, think the officials of the Department of Agriculture and Commerce, and I am willing to go along with them.

### Commodities in Short Supply

But what has this to do with food prices? Will not wheat, for example, continue to be in short supply for another 15 to 18 months at least? How about paper? And copper? Certainly, supplies of some commodities or materials will be short for a long time to come, no doubt of it. But that does not mean that prices of these will continue to mount indefinitely or even that present levels will be maintained.

Once industrial production begins to contract, the reversal of the general price trend is more or less inevitable. Prices have gone up so fast and so far that it wouldn't take much to touch off sharp declines in the prices of some of the more sensitive commodities. That seems unlikely to happen, but it could. The attitude of the banking fraternity on inventory loans is very important in this respect. If holders of large inventories of high-priced goods should be forced to unload quickly, prices would plummet. Regardless of whether the general commodity price decline is slow or swift, prices of all commodities—whether in large or in small supply—will be influenced thereby to a greater or lesser degree.

Paradoxical as it may seem, the fact that the demand for a particular commodity exceeds the supply is not a guarantee of price firmness. In commodities or materials, one can find plenty of instances where the price of the commodity or material declined during the season or year notwithstanding the fact that demand exceeded supply to such an extent that stocks were substantially smaller at the end of the period than at the beginning. And plenty of instances of the reverse situation can be found. Primarily, it is not the demand situation for the particular commodity or material that determines the price trend thereof in these instances, but instead the general demand situation for all commodities, goods, and services.

In the case of wheat, it is important to note that exports were greater in 1921 and 1922 than in 1920 yet prices were much lower in the later years. Domestic demand for wheat is relatively inelastic, so this was not a factor. What happened was that wheat prices tumbled along with the general commodity price level notwithstanding the increased foreign demand. On the basis of past experience, we have no justification for assuming that wheat and other food prices will continue high owing to the increased demand from abroad.

We may already have seen the price peaks for farm products, or they (*Please turn to page* 766)

# $3 BILLION IN SUBSIDIES

★

**WHY THEY CAN BE CUT TODAY**

★

**HOW THEY AFFECT —YOUR TAXES —YOUR INCOME**

**By NORMAN T. CARRUTHERS**

YOU MAY NOT REALIZE IT, but subsidies are dipping into your pocketbook every day. Worst of all, they often hit you two ways—first, through your income tax bill, secondly, by your frequently having to pay higher prices for various items than would be the case without subsidies.

This whole business of subsidies is a pretty complex affair, as it covers many phases of our economy and assumes many guises. But their significance seldom occurs to the average taxpayer, for most subsidy costs are hidden or submerged, and when they appear on the Federal budget, they are seldom labelled as such. However, now that the question of the national budget is very much to the fore, and taxes are a stern reality affecting all of us, a reconsideration of where our money is going becomes inevitable.

Of course, in so limited a space we can hardly hope to explore the vast network of Federal subsidies in exhaustive detail, but we can probe into some of the major subsidy items and see just what kind of toll they are taking out of the average taxpayer's already hard-pressed exchequer.

But before we look into these specific items, it is well to take a broad view of the general subsidy picture so as to gain clearer perspective. For one thing, the term "subsidy" covers a rather broad field. Generally speaking a subsidy usually means a grant or bounty paid out of the public treasury to some industry or economic group. More often than not, the financial aid thus rendered is to compensate some real or alleged deficit in operations, the implication being that the beneficiary could not operate without the aid thus rendered.

Contrary to the impressions prevailing in some quarters, subsidies are the invention neither of the Republicans nor of the Democrats. They are quite non-partisan. In fact, they are as old as recorded history, for practically every civilization down through the ages has subsidized certain industries or phases of their respective economies. Probably the one activity above all others that has been the object of governmental bounty has been the maritime industry. Practically every commercial nation has subsidized its seaborne trade, and in this air-minded era, the subsidy idea has been liberally extended to air transportation. In the mounting competition for the world's air traffic, the British, French, Dutch, Scandinavians, and others are backing their respective airlines to the limit with various kinds of state grants and bounties.

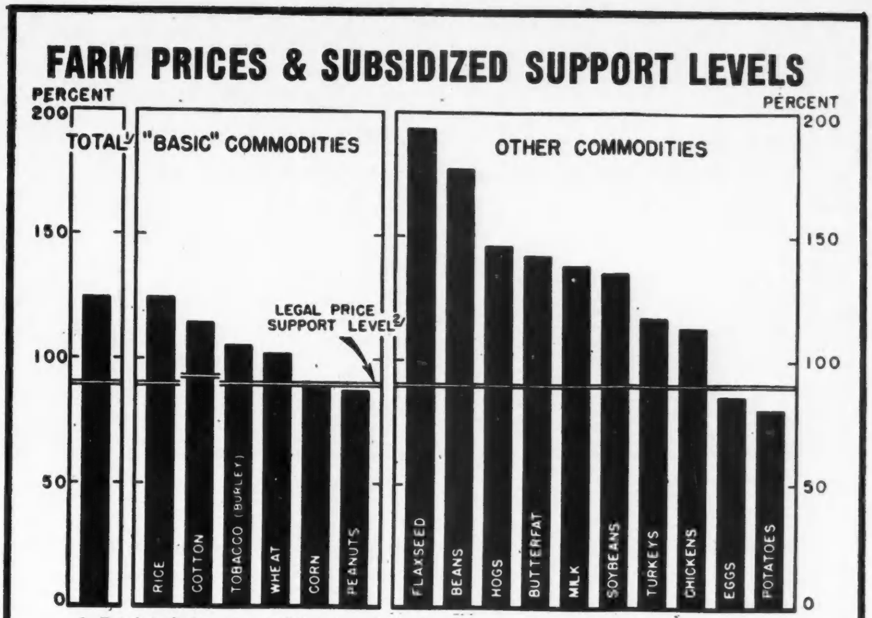
Returning to the subsidy situation in our own country, it will be noted that this form of state assistance has been with us since the nation's inception. During the struggle for independence, the Federal government underwrote both the legitimate and the less orthodox phases of our early merchant marine—the former being encouraged to carry in much needed supplies and materiel; the latter to act as privateers preying on enemy commerce. Soon after the Revolution, the nascent Republic began to grant state aid to various industries and services. The early postal service (privately operated, at first) was a heavy beneficiary of Federal aid, as were the later canal operators, the pony express and the railroads.

As our economy developed and grew more complex, state aid was extended to an increasing number of industries and economic groups. In fact, the validity of such outright grants to special interests was more than once contested in the courts, and became the subject of some notable trials. But the courts ruled in favor of subsidy aid, which only served to extend their growth.

By the nineteen twenties, substantial financial aid was being given to such diverse economic groups as the farmer (to help keep him solvent), the shipping industry (to help it meet foreign competition), the airlines (to tide them over their lean years of adolescence) and numerous others.

With the advent of the New Deal program, the subsidy idea was vastly extended, first, because it was a natural concomitant to state planning, and, secondly, because of the political potency of subsidy

payments. For it must be conceded that most, if not all, subsidies, are heavily fraught with politics. Such a situation is inevitable in a democratic society, since economic blocs and pressure groups have a demonstrated ability to secure Federal appropriations in proportion to their voting strength in Congress. And when the various groups combine their efforts in "log-rolling" in Congress, they can win sweeping concessions. Witness the results of the farm and the western mining blocs in the Senate in the last twenty years.



I. Total includes commodities for which there is no price support level.

II. Legal price support level is 90% of comparable price for all items except cotton, for which it is 92.5%. Actual support levels vary in some cases from those shown in chart owing to seasonal changes and to changes in parity index since beginning of marketing season.

Source: U. S. Dept. of Agriculture.

*To implement its economic planning program and to satisfy various economic groups, the early New Deal instituted many measures which form the groundwork of our present-day fabric of state subsidies.* In an effort to stimulate farm prices and aid growers, farmers were paid huge subsidies for curtailing production — the now historic "ploughing under" program. To help finance the program, a special tax was levied on the processors of certain farm products, such as edible oils, textiles, etc. Similarly, the mining interests came in for lush subsidies, thanks to the efforts of the silver bloc in Congress, which was able to pressure in the Federal silver buying program at fancy premiums above world prices. All of this, plus the various relief projects (which were practically subsidies) were piled upon the sizable subsidies already in existence. And when World War II came along, the Federal budget became virtually one huge subsidy operation, as it necessarily had to be in order to win the war.

### *Some Major Items in the Federal Budget*

(PRE-WAR vs. POST-WAR)

| | Pre-War (1940) (Millions of Dollars) | Post-War (1948) |
|---|---|---|
| Price support for farm products | 330 | 336 |
| Veterans' job-training subsidy | ...... | 1,000 |
| Veterans' educational program | ...... | 1,000 |
| Veterans' unemployment benefits | ...... | 980 |
| Veterans' pensions | 417 | 2,492 |
| Veterans' administration | ...... | 870 |
| Public health program | 48 | 182 |
| Postal deficit | 42 | 350 |
| Relief of occupied countries: | | |
| State Dept. | ...... | 387 |
| War Dept. | ...... | 645 |
| Aid to war refugees | ...... | 76 |
| Public housing | 19 | 173 |

But now that we are well along the road of a peacetime economy, and trying to restore some semblance of fiscal stability, it is time to correct the many inequities in our subsidy program. In fact, the word "program" in describing our subsidy policies is a misnomer, for there is nothing logical or orderly in the way our subsidies have been organized or handled. Like Topsy, they just "growed," one after another being added to the statute books, with the result that we now have a haphazard, crazy-quilt pattern of subsidy laws in operation. Worst of all is the fact that many are working at cross purposes with one another, not only pyramiding the cost, but literally wasting the taxpayers' money.

Let's take a look at some specific cases. One item in President Truman's proposed budget for the 1948 fiscal year is the $1,367,000,000 figure for "aids to agriculture." While a good part of this is earmarked for administrative and research purposes, some $336,000,000 is intended for price-supporting measures. It seems incredible that our Government would seriously want to *support* farm prices at a time when they are at their present fantastic levels and still climbing, but that's what the record shows.

The key to the whole paradox is the "parity payment" device, which has long been a fetish of the potent farm bloc in Congress. The object is to peg farm prices to 90% of "parity," so that the farmer's purchasing power can be maintained vis-a-vis that enjoyed by the city worker. But since parity is relative to the general price level, it follows that in a period of high (*Please turn to page* 762)

# Happening In Washington

**By E. K. T.**

**CONGRESS** came up against cold reality when the first appropriation bill of the year was submitted and it was found that 800 millions of the 897-million dollar saving projected was to come from a hoped-for reduction in the amount to be paid out next year in Treasury tax refunds. The hard fact is that much of the government's outlay consists of fixed charges. Savings are possible only by reducing, or discontinuing, some functions. Guesswork as to the amount of next year's tax refunds is not a firm foundation for budgeting. The Treasury's experience indicates that guesses show over-optimism.

### WASHINGTON SEES:

Regardless of the form it ultimately takes, the new Revenue Act is ill-starred legislation, damaged by those who sought most eagerly to protect it. Based upon only two days of public hearings, it invited and brought the criticism of steam-roller tactics: sent to the floor under a rule which permitted no amendments ("20 per cent tax reduction, or none"), it saw the light of day under an unprecedented gag rule.

And the faults found were not entirely, or even principally procedural. It failed, recites the opposition, to take into consideration the realities of world affairs spotlighted by President Truman's message on Greece and Turkey; its terms suggests no effort was made to place tax cuts on the basis of equality to citizens of all classes; it ignores the fact of current high level of income and favorable economic outlook for the immediate future—conditions which make for relative ease in collecting taxes now and afford an ideal time for cutting down the national debt; and it deals with only one part of the tax system, reducing as it proposes to do, income tax payments without tackling the related questions of excises, corporate and other taxes.

Almost solid democratic opposition is assured making the proposals more than a mere Revenue Act. It will become a major political issue in the partisan sense.

**ALTERNATIVE** stated by John L. Lewis to a Congressional committee—either do nothing to prevent industry-wide strikes, or curb them at the cost of going totalitarian—may have sounded final to the mine chief, but it didn't impress the lawmakers. No one took issue with Lewis' statement that a man has the right to sell, or to withhold, his labor. But the concept that one man may legally do a thing which a large group of men may not legally do in concert, has not been lost. If regulation were totalitarian, the antitrust laws would fall under the same objection: it is not argued by Lewis or anyone else that because one man may sell his merchandise under his own price arrangements, legally, he can act in concert with many to establish those prices and not run afoul of federal prohibitions.

**PRESIDENT TRUMAN** timed his speech to Congress on relief for Greece and Turkey at what he, obviously, assumed to be an appropriate moment. Accurate timing was one of President Roosevelt's strong points; whether Mr. Truman inherited that quality will be learned only by experience. Secretary Marshall had just arrived in Moscow for the major diplomatic conference and the President's request, plus speedy and favorable reaction by Congress, could have "served notice" on the Kremlin that the United States is not being fooled by any bogeyman behind the iron curtain. Closer to home, however, was the fact that the message was submitted just before deadline for filing federal income tax returns and 400 million dollars is a lot of money.

**DISCOVERY** of Soviet plans to prepare 700,000 men and women for careers in science in the next five years, has added support to the movement on Capitol Hill to create a National Science Foundation. This number trebles the most optimistic forecasts of graduates from United States institutions for the same period of time. Headstart in the field was made by other major countries during the war, when advance students of sciences were exempted from military service.

# As We Go To Press

Congress has reached the half-way mark of its planned six-months session with the Republican majority far less happy than the Democrats whose party they defeated last November. Public and private polls suggest the GOP wouldn't repeat its stuning victory if the election were to be run off today.

The majority is being chided for its failure to act speedily. The criticism may be premature. Important legislaton rarelly reaches the floor in the first few months of any session. This time the Republicans had a newly-won leadership to formalize, plus a reorganization of the law-making machinery to contend with.

Statement that there's a Presidential aspirant behind each legislative proposal is not far-fetched. That's one of the points at which the GOP is vulnerable. The "Taft men" and the "Dewey men" are battling openly, and there's growing conviction each will eliminate the other eventually. That makes for added starters in the big race.

Another weakness is the seeming jealousy between the two houses of Congress. For example, when the Senate small business committee launched its investigation of newsprint shortage, the house speedily created its own committee to explore the same field. When the Senate committee postponed hearings on revised postal rates, the House committee jumped in and announced an earlier date to examine Post Office Department recommendations.

Aside from fiscal legislation, labor-management laws have been priority matters. Failure of either committee to bring out its omnibus bill in the first three months of the session is one of the chief causes of current impatience. But the laws actually are in the draft stage, soon will appear.

Republicans are intent, this time, upon taking better advantage of their opportunity in that direction than they did when last they had the votes to dictate labor laws. Their offering at that time was the Norris-LaGuardia Act which many believe is at the root of much present unrest.

Committees held almost two months of public hearing, gained little information. Employers asked more than they expect to receive, while unions blandly asked to be left entirely alone. There will be a mark between those two points at which the legislation will sprout. It is certain to be much more acceptable to employers than to unions although there will be all-around disappointment.

Apparently certain to be passed — because the Republicans last year were able to put the propositions over despite a lack of majority on their side of the aisle — are the cooling-off period, exemption of foremen from contracts, making unions liable for contract breach, and some inroads against secondary boycott.

Not likely to become part of the labor-management code are the ban against closed shop and the prohibition against industry-wide bargaining.

Gathering clouds of new labor strife may be the prime mover in getting bills to the floor sooner than the pessimistic forecasts of the two committees say. The ominous portents iclude the April 1 deadline for new contracts in the soft coal fields; threat of a nationwide telephone strike in the first week of April, which commercial telegraphers may join; expiration of the truce between Big Steel and its employees, in May.

Industry will give ground on the closed shop and on industrywide bargaining to win speedy passage. Labor's offer of compromise, so far, included no objection to free speech by employers (which is constitutionally protected, anyway), and financial reports to membership of locals — not open for public scrutiny.

Objection made to public reports on the financial condition of unions springs from the apprehension that employers would discover the weak points, learn which locals could not stand the money drain of a strike. Yet the theory that unions should be allowed to examine the books of their employers hasn't been abondoned.

Critical foreign affairs situation highpointed by Greece could drive this country back to full wartime controls. Policy probably will be to continue sweeping back communist infiltration by aiding many countries with money, military materiel, and food, chiefly the latter.

Impact on the country and the food industry has domestic and foreign experts here concerned. Reserves and stocks of most foods do not compare with those of 1940. There are shortages of many vital materials such as tin, cotton, jute, fats and oils, and grains. Foreign relief running heavily to food would tend to inflate domestic prices, eventually return price control.

In spite of an unconvincing start (on the Treasury-Post Office Appropriation bill), Congress is determined to cut appropriations to the core. Agency heads who have been called in for conferences on Capitol Hill are beginning to realize that the reductions proposed by the Budget Bureau were comparatively mild.

Wartime emergency agencies will practically disappear by June 30. Few of their functions will go to old-line departments. Payrolls will be cut. The Commerce Department will be one of the hardest hit — Congress doesn't like "professional planners."

For better or worse, some of the regulatory bodies dealing with business and industry just won't have the money to launch new programs and may even have to curb existing ones. Included are the Food and Drug Administration, the Federal Trade Commission, and the Department of Justice.

Farm Brokers Institute has called in scientific minds to help narrow the spread between world food production and demand. Realistic view is that with only 7 per cent of the world's 35.7 billion acres of land favored with the right combination of sunlight, rainfall, temperature and topography, millions of persons must continue to die of malnutrition.

Regulation W, the installment credit rule based upon an Executive Order and administered by the Federal Reserve Bank Board appears to be on the way out. A wartime restriction on merchandising it already has been streamlined by the Board by removal of almost all but listed durable goods, and purchases of $50 or less.

Chairman Jessee Wolcott of the House committee on banking and currency has made inquiries into the entire credit situation, of which installment buying is an integral, if surbordinate, part and may have an early announcement. Wolcott is believed to favor no action by Congress to carry the Executive Order along legislatively.

The attitude of Chairman Marriner S. Eccles of the Board will have strong persuasive effect upon the House committee, it is believed. Eccles has told Wolcott Regulation W is "up to Congrss at this point and, if the lawmakers prefer not to take affirmative action, it should be abandoned."

# Which Companies WILL NEED REFINANCING in Period Ahead

## Assaying Financial Strength and Status of Investor's Equities in Leading Companies

**By GEORGE W. MATHIS**

THERE were large numbers of new issues sold to the investing and speculating public in the first eight months of 1946 but a considerable decrease followed the stock market break in the late summer and autumn. This year the decreasing trend continues. Several registrations have been indefinitely postponed. We cannot help but feel that such policies are short-sighted for although the shares would not produce the relatively high price desired, their sale under less favorable market conditions, as at present, would give the ultimate purchaser, the public, a more satisfactory return.

The answer is that the underwriters in many cases postpone because of market conditions. They will not take the risk of the new issues remaining on their shelves for a considerable period. This is especially true under the low profit scheduled for placing securities with the public. However, a turn for the better in share underwritings of companies with relatively stable earning power may be made on April 3, 1947 when American Tobacco plans an offering of 896,404 shares ($25 par) B common stock to holders of common and B common shares held of record on April 2, on the basis of one share for each five held at a price to be filed by amendment to the registration statement. Net proceeds will be added to funds for the reduction of outstanding bank loans aggregating $85,000,000 on December 31, 1946. Long-tern Debenture 3% bonds were reduced last year by $6,145,000 to $176,098,000. Issuance of more common B (non-voting) stock will provide a better capitalization balance. The funds were used for the large inventories.

Du Pont stockholders are scheduled to authorize issuance of 1,000,000 additional shares of Preferred stock at their meeting April 14, 1947. The present budget for expansion amounts to about $300,000,000. During 1946, it spent on plant extensions and betterments, $92,300,000. Financing through issuance of senior securities is not always favorable to common stockholders; but in the case of the country's largest chemical company it is pleasant to note that sales of $648,700,000 in 1946 compare with plant and properties at approximate cost of $583,000,000 at the end of last year, showing that for every dollar of plant, sales were $1.11. Net income from operations in 1946 was $91,500,000 (against the previous peak of $59,400,000 in 1939). The above mentioned 1946 net was over 14% of sales, and the return will improve this year as a result of upward price adjustments effected in December, 1946. Net income last year, including $1.90 per share from General Motors dividends, was $9.44. If, as indicated, General Motors pays $3 in 1947 it would increase du Pont's income by approximately $0.62 per share.

### Financing in 1947 Not Required by Some Units

Eastman Kodak stockholders will vote April 29 to authorize sufficient common shares for a 5 for 1 split-up and large additional shares for any financing needed in the future. The company plans to spend $40,000,000 in 1947 for expansion of plants in the Western Hemisphere, but the excess cash and government securities are sufficient for this purpose and no additional financing should be required this year. It is valuable to note from an earnings viewpoint that the company estimates that between $4 and $5 million will be recovered from the original write-off of $15 million of foreign properties, without including any amount for whatever recovery may be made from the German and Japanese properties.

United States Gypsum Co. recorded a decline in working capital last year due to building of plants and segregation of $17,000,000 as a construction fund; but it gave rights to common stockholders to subscribe to 399,477 shares at $60 a share, which was not underwritten. The company realized over $23,500,000 on January 31, 1947 when 99.51% (399,140 shares) of the issue were subscribed. The total expansion program is $42,000,000. In 1946,

## *Comparative Current Position of 50 Selected Companies*

| | Cash Assets | | | Inventories (in million dollars) | | | Working Capital | | | Current Ratio | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1940 | 1945 | 1946 | 1940 | 1945 | 1946 | 1940 | 1945 | 1946 | 1940 | 1945 | 1946 |
| Aldens | $.7 | $4.4 | $1.4 | $2.3 | $6.8 | $14.3 | $4.3 | $9.7 | $11.9 | 3.6 | 3.0 | 2.3 |
| American Brake Shoe | 4.4 | 10.5 | 9.2 | 6.4 | 10.5 | 13.0 | 12.2 | 23.4 | 24.2 | 4.8 | 5.0 | 3.8 |
| American Chicle | 3.6 | 4.7 | 4.0 | 4.8 | 9.2 | 11.4 | 8.5 | 13.8 | 14.5 | 5.4 | 6.3 | 4.9 |
| American Colortype | .4 | 2.1 | 1.9 | 1.7 | 1.9 | 3.1 | 2.5 | 4.3 | 4.4 | 3.8 | 4.0 | 2.4 |
| American Locomotive | 4.3 | 39.7 | 19.7 | 11.3 | 34.5 | 29.0 | 15.9 | 34.1 | 31.8 | 4.6 | 1.6 | 2.2 |
| American Metals | 14.9 | 23.9 | 17.8 | 12.4 | 9.6 | 19.6 | 19.8 | 27.5 | 29.2 | 2.8 | 2.4 | 2.4 |
| American Radiator & S.S. | 13.3 | 53.3 | 38.2 | 24.2 | 17.9 | 28.4 | 43.7 | 64.3 | 65.2 | 6.2 | 5.0 | 5.2 |
| American Tel. & Tel. | 229.8 | 460.5 | 369.2 | 51.4 | 50.7 | 93.5 | 138.5 | 115.3 | 188.0 | 1.5 | 1.2 | 1.4 |
| American Tobacco | 15.4 | 26.3 | 17.8 | 157.0 | 334.5 | 407.0 | 140.6 | 314.8 | 318.7 | 3.9 | 5.3 | 3.4 |
| American Woolen | 4.2 | 29.0 | 12.5 | 36.5 | 37.7 | 48.1 | 34.6 | 55.1 | 56.7 | 2.6 | 3.2 | 3.6 |
| Armour & Co. | 12.0 | 29.2 | 40.6 | 65.2 | 105.6 | 131.0 | 74.9 | 140.7 | 150.2 | 2.9 | 4.0 | 3.2 |
| Armstrong Cork | 5.6 | 24.4 | 16.4 | 15.9 | 14.1 | 17.7 | 23.6 | 40.9 | 37.0 | 6.0 | 7.5 | 6.1 |
| Atchison, Topeka & S. Fe | 47.5 | 155.5 | 136.0 | 22.2 | 39.3 | 45.6 | 52.2 | 108.3 | 125.9 | 2.8 | 1.8 | 2.5 |
| Atlas Powder | 5.2 | 8.7 | 3.9 | 3.5 | 5.4 | 7.4 | 8.5 | 13.9 | 11.5 | 3.9 | 4.2 | 4.2 |
| Bigelow-Sanford Carpet | .9 | 4.2 | 5.9 | 11.3 | 13.8 | 15.8 | 14.4 | 18.0 | 23.4 | 7.3 | 6.7 | 7.8 |
| Celanese Corp. of Amer. | 29.7 | 48.0 | 68.5 | 6.1 | 9.0 | 13.7 | 31.1 | 59.7 | 84.8 | 4.5 | 11.6 | 11.2 |
| Commercial Solvents | 1.8 | 11.5 | 6.2 | 3.6 | 4.5 | 6.2 | 12.7 | 18.9 | 14.7 | 8.9 | 9.3 | 4.5 |
| Consolidated Edison of N.Y. | 54.3 | 77.3 | 89.2 | 19.6 | 20.9 | 24.7 | 59.4 | 73.7 | 82.9 | 2.4 | 2.5 | 2.4 |
| Container Corp. of Amer. | 2.5 | 5.6 | 6.1 | 3.4 | 4.5 | 6.1 | 5.5 | 9.1 | 13.1 | 3.3 | 3.2 | 4.1 |
| Corning Glass Works | N.A. | 8.6 | 4.9 | N.A. | 6.7 | 8.7 | N.A. | 14.1 | 11.3 | N.A. | 3.5 | 2.5 |
| Du Pont, E. I. | 140.2 | 208.7 | 174.7 | 62.4 | 91.0 | 104.7 | 148.4 | 284.8 | 260.4 | 2.6 | 5.6 | 4.5 |
| Eastman Kodak | 48.8 | 114.9 | 78.4 | 39.0 | 59.1 | 78.8 | 76.5 | 133.9 | 114.9 | 4.1 | 2.7 | 2.5 |
| Fairbanks Morse | 3.7 | 7.9 | 3.7 | 9.3 | 19.7 | 23.7 | 14.6 | 24.1 | 24.5 | 3.3 | 2.7 | 2.5 |
| Goodrich, B. F. | 12.9 | 31.4 | 22.9 | 41.5 | 55.0 | 78.5 | 63.2 | 106.2 | 113.3 | 4.1 | 5.6 | 4.4 |
| Goodyear Tire & Rubber | 20.1 | 57.1 | 50.8 | 74.2 | 83.1 | 101.7 | 98.1 | 152.5 | 174.6 | 5.4 | 5.0 | 4.6 |
| Hazel-Atlas Glass | 6.1 | 12.4 | 11.9 | 5.4 | 5.1 | 4.9 | 12.7 | 18.7 | 18.6 | 9.0 | 11.0 | 12.0 |
| Houston Oil Co. of Texas | 5.3 | 6.3 | 4.8 | .8 | 1.0 | 1.0 | 6.0 | 5.6 | 5.3 | 8.3 | 2.9 | 3.9 |
| Johns-Manville | 8.9 | 15.7 | 6.7 | 9.2 | 11.3 | 14.7 | 18.7 | 25.8 | 24.6 | 3.6 | 4.9 | 3.9 |
| Marshall Field | 7.9 | 23.8 | 14.7 | 13.7 | 15.6 | 24.1 | 23.0 | 27.8 | 32.0 | 3.4 | 2.1 | 2.2 |
| Mohawk Carpet Mills | 1.1 | 2.2 | 2.9 | 8.9 | 14.3 | 15.2 | 11.8 | 14.8 | 15.5 | 7.2 | 6.4 | 4.5 |
| Monsanto Chemical | 6.3 | 18.9 | 41.3 | 9.0 | 14.4 | 18.0 | 12.6 | 36.8 | 61.3 | 2.6 | 6.2 | 6.0 |
| Murphy, G. C. | 2.9 | 12.2 | 12.5 | 7.5 | 12.8 | 17.4 | 5.7 | 19.9 | 24.0 | 2.2 | 4.9 | 5.1 |
| National Biscuit | 33.6 | 47.4 | 43.0 | 9.2 | 27.1 | 34.5 | 34.6 | 51.9 | 62.6 | 4.1 | 2.9 | 3.9 |
| National Tea | 1.6 | 4.4 | 3.5 | 4.4 | 9.5 | 15.9 | 3.8 | 9.2 | 9.9 | 2.5 | 2.8 | 2.0 |
| Owens-Illinois Glass | 11.4 | 53.6 | 31.0 | 14.8 | 10.1 | 14.8 | 25.6 | 41.7 | 32.8 | 4.1 | 2.3 | 2.2 |
| Public Service Corp. of N. J. | 37.3 | 83.6 | 95.2 | 7.3 | 8.5 | 9.8 | 28.2 | 70.6 | 86.4 | 1.9 | 3.1 | 3.8 |
| Radio Corp. of America | 17.5 | 42.0 | 32.9 | 20.0 | 37.6 | 55.8 | 30.4 | 62.3 | 74.7 | 2.2 | 2.1 | 2.4 |
| Simmons | 5.1 | 10.4 | 8.0 | 8.8 | 11.0 | 19.0 | 16.0 | 21.2 | 25.2 | 5.6 | 4.5 | 3.2 |
| Sun Oil | 5.0 | 19.2 | 14.7 | 28.8 | 33.4 | 37.1 | 22.4 | 47.9 | 49.7 | 2.1 | 2.6 | 2.6 |
| Texas Gulf Sulphur | 13.3 | 28.6 | 31.3 | 16.9 | 13.8 | 13.1 | 29.6 | 36.3 | 42.1 | 11.6 | 4.9 | 6.3 |
| Underwood Corp. | 6.3 | 8.9 | 7.1 | 8.0 | 6.1 | 7.7 | 17.8 | 17.1 | 17.3 | 9.0 | 9.2 | 6.4 |
| Union Carbide & Carbon | 81.3 | 139.9 | 113.5 | 50.2 | 80.1 | 91.7 | 111.2 | 188.9 | 176.6 | 3.4 | 3.0 | 3.2 |
| United Carbon | 1.8 | 1.6 | 4.0 | 1.0 | 1.6 | 1.2 | 2.5 | 3.4 | 5.4 | 2.8 | 3.2 | 3.0 |
| United Gas Corp. | 11.6 | 32.2 | 20.1 | 3.1 | 4.1 | 4.8 | deficit* | 20.9 | 11.4 | — | 1.9 | 1.5 |
| United States Gypsum | 14.7 | 34.5 | 18.9 | 6.8 | 6.8 | 9.8 | 23.2 | 40.1 | 24.2 | 4.4 | 6.6 | 2.8 |
| United States Rubber | 20.5 | 36.2 | 25.8 | 64.4 | 84.4 | 101.1 | 82.5 | 110.1 | 118.5 | 3.1 | 2.9 | 2.7 |
| Western Auto Supply | 7.3 | 18.9 | 14.4 | 12.5 | 11.5 | 22.0 | 20.5 | 26.1 | 27.9 | 6.2 | 5.1 | 3.3 |
| Westinghouse Electric | 33.1 | 112.5 | 55.5 | 67.6 | 128.0 | 166.8 | 105.3 | 245.4 | 303.5 | 4.2 | 3.6 | 9.8 |
| Woolworth, F. W. | 26.5 | 98.8 | 86.4 | 51.8 | 49.4 | 67.8 | 62.1 | 105.5 | 108.2 | 4.3 | 3.2 | 3.0 |
| Youngstown Sheet & Tube | 22.0 | 65.4 | 70.7 | 48.4 | 38.1 | 42.0 | 78.4 | 100.9 | 109.8 | 5.6 | 5.4 | 5.8 |

* Current Liabilities exceed Current Assets by $15.3 million. N.A.—Not Available.

the company earned $9.90 per share on 1,198,431 outstanding shares. Another company that arranged for funds in 1946 was RCA through bank loans of $30,000,000. It raised only $3,000,000 new money as $27,000,000 was used to pay this amount in promisory notes. Working capital last year denotes a comfortable position. The interest rate on the loan is only 1½% and ¼% standby charge for any unused amount of the $40,000,000 credit. At the end of two years the loan may be extended at a slightly higher rate for eight additional years. As RCA has used bank credit in the past, it probably will not refund through sale of stock, and this policy is advantageous to stockholders as the number of shares at present outstanding is large enough. Another concern with a large number of common shares, and which should not need new capital in 1947 is American Radiator & Standard Sanitary Corp. Please note in the table the gain over 1940 in working capital; the principal reason for the decline last year in cash assets, which still are ample, was the increase in inventories.

Johns-Manville not only increased inventories but also plant and equipment, the latter by $11,100,000 gross in 1946 in its continuing expansion program, accounting for the decline in cash assets. While earnings were practically unchanged for the full year, net per share of common in the last quarter was $2.67, or an annual rate of well over $10 and an upward trend is evident.

An outstanding growth situation in the chemical field that conducted financing on a low cost basis is Monsanto. The shares have been split up which renders them available to the smaller investor. Union Carbide & Carbon issued a very favorable report last year of $6.10 per share. Neither of these chemical companies should need financing this year, and their operations should add materially to the national economy. The marked growth in working capital of National Biscuit and its cash position indicate that no new financing will be required. This likewise holds true of Woolworth, in which case cash assets increased notably in the war period. Thus, while we shall mention many new financing possibilities, it is well to point out that in a broad cross section of representative companies there is a lack of new capital needs on the part of certain groups.

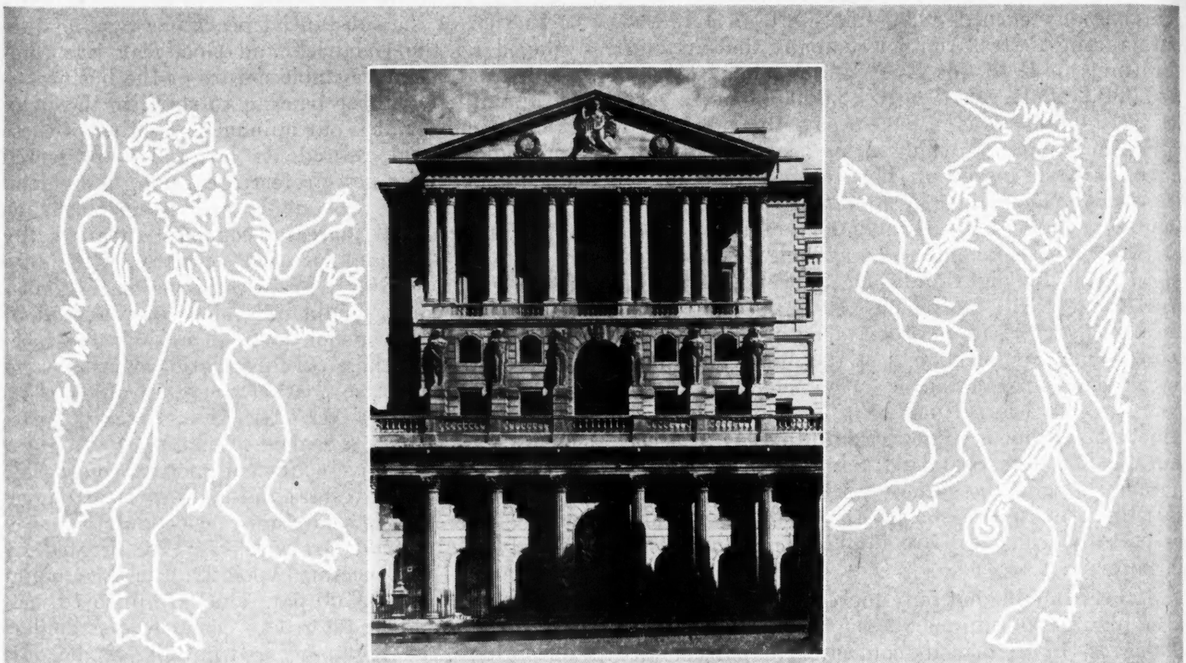
### Other New Financing Probabilities

Aluminum Company of America is not included in our tabulation as 1946 balance sheet or income account have not been issued. Readers of "The Magazine of Wall Street" will recall that in the March 15th issue, an article, Outlook for Metals and Metal Fabricators stated that Alcoa plans to build a large aluminum fabricating mill, and doubtless for this purpose stockholders are to vote April 17 on a resolution authorizing directors to incur indebtedness up to $150,000,000 at any time. It is rumored that a new bond issue of this amount will be sold. Due to the sound character of the business, it would be favorable for common stockholders if this additional capital is raised.

In view of the substantial peacetime earnings developed by the Goodrich and Goodyear tire companies and the more stable nature of the business—with synthetic rubber tending to stabilize the price of crude rubber, it is our opinion that either of these companies could refund its large 5% preferred stock issue with a new preferred carrying a dividend rate around four per cent. It so happens that such refunding would increase common earnings by nearly 30c per share for each company. A $5,000,000 high grade 3½% preferred issue of the Corning Glass Works should be sold before the end of March; but the common lacks investor interest because of a high times-earnings ratio, low yield and a somewhat inactive market. Several other glass companies have greater attraction, notably Pittsburgh Plate Glass a maker of flat glass. In these days of comparatively few attractive convertible preferred stocks, investors and investment managers will be interested in studying a new convertible preferred of American Brake Shoe to be created by stockholders at a meeting April 22nd in the amount of 200,000 shares, $100 par value. If approved, new preferred would be offered to common stockholders through rights, to finance redemption of the outstanding 98,000 5¼% preferred shares at $125 per share. Dividend and conversion rates of the new stock have not yet been determined by directors.

By reason of the wartime accumulation of new construction projects and the higher costs of those effected in 1946, capital requirements of the Bell Telephone System in 1946 were greater than in any previous year. American Telephone Company and subsidiaries obtained more than $550,000,000 of new capital, practically all through the sale of debenture issues. In addition, $200,000,000 in debentures were scheduled for offering before the close of March, and it is understood that $125,000,000 New York Telephone bonds will be offered on or about June 15.

A T & T will proceed, probably very soon, with an offering of capital stock under its employees' stock plan up to a maximum of 2,800,000 shares, on an instalment basis. We understand that the price will be around $150 per share and that it will take about 2½ years to arrange for the total instalment contracts. If the maximum is sold, at the indicated price, the company would receive, over a period of time $420,000,000. The number of System employees at the close of 1946 was 617,154, and the maximum amount to be invested, per employee works out at about $680. In addition to other factors to be considered in the consolidated income statements of the last two years (per share earnings were $10.23 in 1946 and $8.93 in 1945), it should be noted that the subsidiary companies, up to February, 1946 had made voluntary rate reductions of $20,000,000 in certain states, which were offset only to the extent of $8,000,000 by increases through February, 1947 in 8 states. Applications are pending in 16 states for increases aggregating approximately $75,000,000. Another utility, Consolidated Edison of N. Y. has been conducting a bondr efunding program (*Please turn to page* 761)



# THE FUTURE OF THE STERLING AREA

*Photo by Press Association*

By V. L. HOROTH

UNDER THE PROVISIONS of the Anglo-American Loan Agreement signed on July 15, 1946, Great Britain is pledged to convert freely into dollars within one year all pound sterling arising from current trade and service transactions. However, she is under no obligations to provide dollars for financial transactions—payment for American securities, for example. She also retains the right to regulate the spending of dollars for imports and other payments, although this must not be done in a discriminating manner.

Great Britain is also required to settle by July 15, 1947 the blocked pound sterling problem, involving $3.5 billion or $14 billion owed to some 30 countries. No stipulations are made with regard to settlements with individual countries, except that a certain limiter amount of blocked sterling may be made freely available annually for current purchases by the creditors. Suggestion was also made that in cases where blocked pounds were accumulated as the cost of defense (India, Egypt, Iraq), a scaling down be negotiated with the creditors, and the balance be released in installments over a period of about 50 years.

Finally, all sterling area controls and arrangements as evolved during the war are to be cancelled by July 15, 1947, and the former member countries may use the dollars and pound sterling earned in current trade and service transactions as they see fit. This also means that the sterling area dollar pool, reported at about $2 billion, is to be liquidated and distributed among the members.

The date of July 15, 1947 will therefore be an important milestone on the road toward the liberalization of international trade. We are certain that this is not the last discussion in these pages of the problems that the dissolution of the sterling area will create. On this occasion we want simply to comment on Britain's chances of resuming free convertibility by July 15 in view of her chaotic situation brought on by the fuel crisis. Anybody interested in foreign trade is also likely to ask whether or not other members of the sterling area must make their currencies freely convertible into dollars.

*Note*: Before discussing the future of the pound sterling system, it may be useful to clarify the terms "*the sterling bloc*" and "*the sterling area.*" which are often indiscriminately used. The term "sterling bloc" began to be used following Britain's departure from the gold standard in 1931. It denoted the countries which had pegged the external value of their currencies to the pound sterling, maintained a central monetary reserve (or part of it) in London, and in general pursued the same monetary policies as Great Britain. The sterling bloc was therefore a loose association of countries whose trade depended upon Great Britain. There were no rules as to how large the monetary balances kept in London should be or at what exchange rates individual currencies should be pegged to the pound sterling. In those pre-war days, in addition to most of the countries of the British Empire, the sterling bloc included all the Scandinavian countries and such Latin American countries as Uruguay and Bolivia.

Even Argentina and Japan pegged their currencies to the pound sterling and were spoken of as "the sterling bloc fringe" or "the outer sterling area."

The *sterling bloc* came to an end in September 1939 and was succeeded by *the sterling area* which was an organized association. It has been described as "a system of cooperative exchange controls operated by a group of countries, the currencies of which are not freely convertible." In practice, the sterling area operates through London as a central clearing house. The individual members pool their holdings of certain "scarce" currencies—such as Canadian and U.S. dollars—and limit the demand on the pool to essentials only. No dollars are spent on anything that can be purchased within the sterling area. Since the end of the war, however, these provisions have been liberalized and the pool has been providing dollars for imports not allowable during the war.

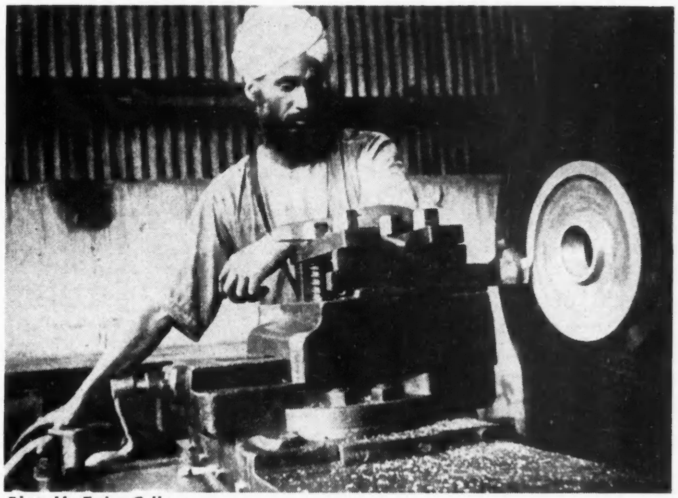


Photo bby Ewing Galloway

**Operator in an Indian tinplate mill. India has ambitious industrialization plans requiring conservation of hard currencies.**

The provision that dollars cannot be used for anything that can be purchased within the sterling area has been assailed particularly by American businessmen. The truth is that the provision has led to trade dislocation and that some American exporters have suffered as a result. But there has been no hoarding of dollars. Dollars have been spent on what has been needed most, particularly food. Hence, the sterling area arrangements have probably favored the American farmer.

The *sterling area* is much smaller than the *sterling bloc* was. It embraces all British Empire countries, excluding Canada, Newfoundland and Hongkong, and the independent countries of Egypt, Iraq, Iceland and Ireland. The Scandinavian countries and Argentina withdrew after the outbreak of the war.

The liquidation of the sterling area dollar pool by July 15 poses several important problems of interest to importers and exporters. Will *the sterling area* survive, since some pound sterling will remain blocked, or will it be replaced by a system similar to the prewar *sterling bloc?* Will countries such as India or South Africa remain or break away from the post-July 15 sterling area system?

As an answer to the first question, we are inclined to believe that the Labor Government will make every effort to restore the free convertibility of the pound sterling (except, of course, in capital transactions), notwithstanding the seriousness of the situation in Great Britain at present. The failure to do so would probably be interpreted as further proof of the inability of the socialist planners to cope with the situation. The Labor Government will not give up without making some effort to get hold of the situation again. Whether it will succeed in revamping the British economy and in raising the British standard of living at the same time is, however, another story.

One of the chief troubles is the maldistribution of labor, resulting from the war and the increasing absorption of labor into Government service. There are no fewer than 665,000 more men and women with public service today than in 1939 and 533,000 more in the metal and engineering trades, not to mention 947,000 more in the armed forces.

On the other hand, workers employed in distribution (warehouse, shops, etc.) are 583,000 below 1939, other consumer services are 359,000 below, and textiles are 400,000 below 1939.

The clouds do have a silver lining. The production crisis may have wiped out most of the gains made in 1946, but it jolted the Labor Government and, for that matter, all the British people into facing reality. It brought home the necessity of mastering the balance of payment problem and the domestic economic situation before embarking on socialist experiments. Even union officials in Great Britain now talk about the need for introducing labor saving machinery—a subject tabu a few months ago—while the Government is contemplating measures to make overtime work more profitable to the workers.

Huge Government expenditures for nationalization and social reforms have fed to the public a flow of money which the people have been unable to spend because there have been no goods, talk of seven billion pounds of purchasing power pressing on or chasing the six billion pounds of goods. Moreover, inability to keep the excess purchasing power under control has cost Great Britain valuable dollars. As the London Economist points out, the country is spending more dollars for tobacco than it ever did in the most prosperous inter-war years. And the expanding private consumption of electricity is limiting the portion available to industry.

The production crisis has also revealed that the six years of war weakened British economy more than was generally realized, and that the external aid, the American and Canadian loans, is probably too small to last till 1951. Practically one half of

the $1,250 million of Canadian funds has been used up, while the $3,750 million American loan has been drawn upon to the extent of $1,100 million.

Furthermore, the British have somewhat foolishly weakened their position by taking an easier way out, by exporting last year either on credit or against inconvertible currencies or against their past debt. They should have diverted their precious exports to the "hard" currency areas instead. As Professor Lionel Robbins expresses it, the British have been handing over to others the benefits of the American and Canadian loans. All they have to show is a decline of about £100 million in Indian claims against them and uncollectible Scandinavian, French, Belgian and Dutch I.O.U.'s.

The Labor Government will unquestionably try to extricate itself from the present situation. The British withdrawal from Greece and Turkey is an example of effort to reduce the drain on British resources. It is possible that Western Europe will be in a position to repay some of its debt after the next harvest. Any dollars that Western Europe might get in the next few months from either the International Fund or the World Bank should also bolster up the British position. The 1947 exports are to be increased to 140 per cent of the pre-war (by the end of the year) as against the current export level of about 110 per cent. The 1947 quantity of imports is to be kept at 85 per cent of the pre-war, as against 70 per cent of the prewar in 1946.

The heavy loss of American and Canadian dollars incurred in bolstering up their own situation is likely to make the British reluctant to make a part of the blocked sterling balances freely available for their creditors' current purchases in the dollar bloc area. This brings up for brief review the progress made in settling the blocked pound problem.

In this connection, we refer our reader to the accompanying table. No specific settlement will probably be necessary with the first group of countries, which include almost entirely the crown colonies. Their sterling holdings represent the reserves held in London against local colonial currencies. A part of these reserves will undoubtedly be spent for goods, but since they belong to the directly controlled colonial areas, they are not likely to be used so as to embarrass London.

The **second group includes the** countries with blocked sterling balances nearly used up, as is the case with Western European countries and the countries with which settlements have already been reached. The most important of the latter is Argenina. The British have allowed Argentina to dispose freely of £5 million for purchases anywhere in each of the next four years. Some blocked sterling was transferred to Brazil and the balance has apparently been used, according to the latest reports, for the purchase of British railway investments in Argentina. The matter of £56 million of Brazilian balances was also settled; they were unconditionally released for purchases of machinery and equipment in Great Britain.

After negotiations that did not produce any results, Australia and New Zealand cancelled £25 million and £10 million of blocked funds respectively. It is said that this "gesture" was not completely welcome, since the British Treasury had evidently been planning to ask for more substantial reductions.

In the third group of countries are included the largest and, as the Economist puts it, the "prickliest" creditors. The Eaddy Mission sent to Delhi to persuade the Indians to agree to some debt reduction met with a rebuff, but negotiations are to be reopened late in April. The British position was that at least one-third of the huge blocked balances of £1.2 billion was spent in defense of the country. The Indians argued that the debt was privately owned and hence of no concern to the Government and that the sterling balances represent India's principal capital reserve for industrialization and for the lifting of the low standard of living.

POUNDS STERLING BALANCES
(in millions of £)

| | Summer 1945 | Summer 1946 | Latest | |
|---|---|---|---|---|
| *Crown Colonies, Mandates, etc.* | | | | |
| African Colonies | 209 | | | |
| Palestine | 116 | | | |
| Malaya | 85 | | | |
| Ceylon | 61 | | | |
| West Indies | 59 | | | |
| Hongkong | 33 | | | |
| Burma | 11 | | | |
| Other Colonies | 87 | | | |
| Sub-total | 661 | 661 | 661 | |
| *Countries Reducing their Sterling Balances* | | | | |
| Argentina | 86 | 150 | — | Used up in purchase of British owned railways in Argentina. |
| Australia | 118 | 178 | 153 | Voluntarily reduced (£ 25 mil.) |
| New Zealand | 64 | 91 | 81 | Voluntarily reduced (£ 10 mil.) |
| Norway | 91 | 75 | 50 | estimate |
| Portugal | 79 | 70 | 70 | |
| Greece | 55 | 25 | — | Probably used up. |
| France | 40 | — | — | Used up. (The French are now in debt.) |
| Belgium | 37 | 25 | — | Probably used up. |
| Netherlands | 69 | 13 | — | " " " |
| Denmark | 12 | 5 | — | " " " |
| Brazil | 37 | 56 | 56 | Released for purchases. |
| Iceland | 17 | 10 | 10 | |
| Sweden & Switzerland | 29 | 40 | 40 | |
| Uruguay | 14 | 31 | 30 | |
| Other Latin America | 5 | 5 | 5 | |
| Various Asia | 42 | 42 | 42 | |
| Sub-total | 795 | 816 | 537 | |
| *Countries Where Settlements are Pending* | | | | |
| India | 1,116 | 1,300 | 1,200 | Negotiations collapsed. |
| Egypt | 400 | 470 | 470 | " " |
| Ireland | 179 | 191 | 200 | |
| Iraq | 71 | 100 | 100 | Negotiations collapsed. |
| Persia | 22 | 22 | 22 | |
| Sub-total | 1,789 | 2,083 | 1,922 | |
| Grand Total | 3,245 | 3,560 | 3,121 | |

Source: London Economist, Federal Reserve Bulletin and others.

In Cairo and in Bagdad, negotiators have also met with firm refusal. Much like India, Egypt and Iraq have plans to use the wartime accumulated sterling for industrialization and the building of irrigation works. Also the two Arab states are evidently using their creditor position to press the British not to make concessions to the Jews in Palestine. And the Egyptians are maneuvering for sole control of the Anglo-Egyptian Sudan.

The restoration of free convertibility by the sterling area countries other (*Please turn to page* 760)

**The shipping lines face an optimistic outlook for export business well into 1948—but lack of dollar exchange limit demand.**

# *Uncertain Weather Ahead for* SHIPBUILDERS & SHIPPING LINES

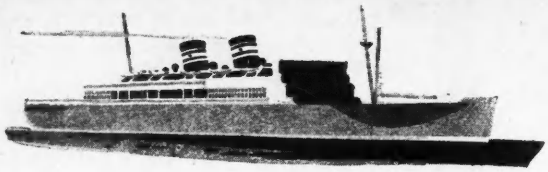
By H. L. BLACKBURN

NEWS that should have long-range promise for the American shipbuilding and shipping industries appeared March 11, 1947 when President Truman appointed an advisory committee of four leading industrialists (three of whom had wide experience in foreign trade) and a naval construction expert, to develop a "stable long-range program" for an efficient up-to-date merchant marine. In a letter to each member of the committee, the President made some important statements which represent a change of policy from that imposed last summer when, to conserve funds and materials in short supply, the ship construction program was drastically reduced. The remarks of Mr. J. Lewis Luckenbach, President of the American Bureau of Shipping at the 85th annual meeting, held January 28, 1947, included the following: "A total of 51 vessels, each over 2,000 gross tons, are scheduled to be finished this year, thereby practically consumating every shipbuilding contract for large seagoing vessels now in existence in the United States. This means that all shipyards of the United States will be devoid of contracts for new tonnage."

### Public Opinion Scores Again

During the past six months, the press and shipping circles gave voice to the declining trend in tonnage of the American merchant fleet at a time when postwar commerce offers great possibilities. It was predicted that the decline in shipbuilding would be greater than followed the first world war. Our merchant vessels would become obsolete in comparison with those of other nations making technological progress as a result of continuing to build ocean-going ships. It was said that we would fail in the opportunity of acquiring German and Japanese shipping routes. It was feared that we would again approach a policy evident before World War I which resulted in an inadequate merchant marine. Fortunately, just in time before we entered the last war, the late President Roosevelt successfully urged a shipbuilding program that changed our merchant marine status to one strong enough to represent our powerful nation.

The members of Mr. Truman's new committee are: K. T. Keller, president of Chrysler Corp.; Marion B. Folsom, treasurer of Eastman Kodak Co.; Andrew W. Robertson, chairman of the board of Westinghouse Electric Corp.; James B. Black, President of Pacific Gas & Electric Co. and Vice Adm. Edward L. Cochrane, former chief of the Navy's Bureau of Ships and now chief of the material division of the office of the Assistant Secretary of the Navy. The President, in a letter to each member of the committee, stated that "although our present need is primarily for passenger ships, our ship construction program as a whole merits careful consideration." He emphasized that as an important element of national security in connection with preparation for expansion in case of emergency, "it is essential that shipbuilding skills be maintained by shipbuilders through an orderly replacement program of all types of vessels." He added that the latest technological developments must be incorporated "into our future cargo and combination cargo-and-passenger vessels, as well as into passenger liners, if the United States is to maintain a well-balanced modern merchant fleet to meet trade as well as security requirements." Thus, public opinion got at least preliminary action from the Government. How effective it will be remains to be seen.



The committee's advice will aid materially in forming recommendations for congressional legislation. It is thought in the trade that the first report of the committee may require about six months to complete. It would take the President a comparatively short while to submit his request to Congress; but that body, according to its recent speed will not have passed legislation to give shipyards new work for an uncomfortably long period. Accordingly, it appears that ship builders may have to depend largely upon repair and reconversion work until well into next year.

### Ship Maintenance Work Important

Facilities of concerns engaged in repair and reconversion of merchant vessels were fully engaged last year as the result of the return of the shipping industry to peacetime operations. All vessels taken over by the Government during the war emergency are required to be returned to their owners in the same condition as when they were requisitioned. Profits on Government work are limited by law, but margins on private work will be better. Newport News Shipbuilding and Dry Dock Co. handled a larger proportion of Navy construction during the war, but the construction of merchant ships is more important under normal conditions. The larger fleet tonnage in both classes afloat now than before the war will sustain maintenance work at relatively high levels. It is important to note that another operation of this company is the manufacture of hydraulic turbines and accessory equipment for electric power installations. Declining shipbuilding volume was offset in 1946 by other work on hand. Despite the strong financial condition, it is considered likely that no more than the 50c quarterly dividend will be paid in 1947. Todd Shipyards is one of the largest ship repair organizations in the world. Earnings were substantial in the five pre-war years except for a poor year in 1939 when $1.22 per share was earned and $2.50 paid in dividends. Another ship repair company is American Ship Building,—a dominant factor in that division, as well as construction in the Great Lakes area. Construction work has been curtailed, but a fair amount of repair and rehabilitation work is in prospect. In the last balance sheet, working capital of the company and its wholly-owned subsidiary equaled $60 a share.

The three other ship building companies in our tabulation have not fared as well as those mentioned above; their repair and reconversion work is relatively small. Bath Iron Works gave indication of the problems by declaring only 50 cents in the last three quarterly periods against $1 paid in the same periods a year ago. This company is making every effort to employ a comparatively idle ship construction plant in other fields; but with their workers trained in ship building,—after completing a great war job, it is extremely difficult to successfully make items such as vending machines. Strong finance cannot be maintained if dividends are disbursed in excess of earnings. On the contrary, the company should remain prepared to renew its regular work when available. Electric Boat, which pays dividends of only 25 cents quarterly, may be able to continue this smaller rate in view of increased product diversification; but it has no repair work. Operating profit of New York Shipbuilding will decline sharply under current conditions, which despite strong finances may place the 75c semi-annual dividend in jeopardy.

### Shipping Lines

Wartime construction of merchant vessels aggregated about fifty million deadweight tons. A great tonnage, owned largely by the Federal Government, is being sold under the terms of the Ship Sales Act of 1946. It is estimated that Americans have bought or probably will buy about one-quarter of Government-owned ships. When the sale is completed in 1947, it will change the status of American shipping companies from owning (before the war) 16% of the world ship tonnage to an estimated position of owning over 40% of world tonnage. American shipping lines are buying the cream of the ships completed during the war in American ship yards. Under the Act, dry-cargo merchant vessels are being sold to American buyers at prices set at 50% of the prewar domestic cost. As such cost was about twice the prewar foreign cost, the ships are being purchased by American lines at the cost of prewar foreign ships. It is estimated that foreign vessels now cost about one-third to one-half again as much to build as before the war. Therefore, our shipping lines are making advantageous purchases.

Up to date the proportion of the Government ships that have been bought by foreigners and Americans is about 3 and one. Foreigners can buy Liberty ships, certain tankers, C-1 type and Victory ships, while those reserved for Americans are the C-2 and C-3 type vessels (Maritime Commission designations). The ships that Americans have been buying are the standardized design cargo ships,—the C-2 of around 10,000 deadweight tons carrying capacity and the C-3 of about 12,000 tons.

The subsidies paid under the Merchant Marine Act of 1936 were separately negotiated for each ship and were designed to cover the excess of operating cost over that for foreign competitors on the same direct trade route. The subsidy contracts entitle the Martime Commission to recover one-half of the amount by which profits during the life of the contract (usually ten years) exceeded 10% annually on the capital used in the subsidized operations. About 50% of our foreign trade ships will be subsidized in postwar years, and also half of our ships are engaged only in domestic trade. Therefore, only one-quarter of total American shipping is subsidized. The necessity of Government subsidy is indicated by the tabulated basic wages and over-all monthly wages computed by adding overtime payments, cargo penalties, work penalties, area and war-risk penalties to the basic monthly rates; this

survey of the National Federation of American Shipping does not include the recent 6% increase in maritime wages. The wage payments for these American ship workers top the average of eight other countries by 60%. The lines with relatively large subsidies are American Export Lines, Moore-McCormack and U. S. Lines.

MONTHLY BASIC AND OVER-ALL WAGES

| Nation | Basic A.B. | Basic Chief Cook | Estimated Total A.B. | Estimated Total Chief Cook |
|---|---|---|---|---|
| United States | $172.50 | $205.00 | $265.00 | $310.00 |
| Canada | 150.00 | 180.00 | 170.00 | 200.00 |
| United Kingdom | 96.00 | 110.00 | 103.00 | 117.00 |
| Netherlands | 74.00 | 93.00 | 80.00 | 100.00 |
| France | 79.00 | 94.00 | 92.00 | 107.00 |
| Greece* | 112.00 | 144.00 | 117.00 | 150.00 |
| Yugoslavia | 84.00 | 89.00 | 87.00 | 92.00 |
| Denmark | 85.00 | 98.00 | 90.00 | 103.00 |
| Sweden | 84.00 | 95.00 | 105.00 | 115.00 |
| Foreign Average | 95.50 | 112.88 | 105.50 | 123.00 |
| Foreign Percentage of United States pay | 55.4% | 55.1% | 39.8% | 39.7% |

* The relative high level of Greek wages may be only temporary, but is none the less real. Greek money is actually going into Latin American flag operations.

Source: National Federation of American Shipping. This survey does not include recent increases granted United States and United Kingdom seamen.

Foreign trade statistics of America for 1946, just issued by the Department of Commerce, show exports of $9.7 billion and imports of $4.9 billion. The total of $14.6 compares with the previous peak in 1929 of $9.6 billion. Exports in 1946 included about $1.5 billion UNRRA and lend-lease; but excluding the two latter items, the total exports were a record peacetime rate of $8.1 billion. An increase of 25% in exports is expected by most foreign traders this year. Optimism for exports extends well into 1948 when, however, dollar exchange may become a problem for many foreign countries, due particularly to the estimates of imports of $5 to $6 billions annually through June 30, 1948. Thus, imports may continue at only 60% of exports as was shown in 1946, excluding UNRRA and lend-lease.

### Possibilities of Shares Mainly Speculative

Round-the-world cruises were extensively scheduled by the American steamship companies before the war and this class of service is now returning. These trips are understood to have been profitable and should provide income possibilities for many of the steamship companies as ample spending money appears to be burning holes in pockets of the average American.

Original cost of merchant ships being acquired from the Government is, in the last analysis a very important element in steamship operations. Accordingly, it should prove to be of material advantage that the American companies have acquired a large number of the C-type vessels. These merchantmen have speeds ranging between 15 and 17 knots or far superior to our smaller prewar vessels with average speed of only 10.9 knots. American ships offer many advantages in the postwar world and should gain many more friends.

A word of caution about the domestic operators in coastal and inter-coastal trade is that the rate adjustment made last December, about the time of the railroad freight rate increase, has not been enough for the shipping companies to offset increased operating costs.

## *Pertinent Statistics of Shipbuilders and Shippers*

| | Current Ratio | Net Per Common Share 1938-41 Pre-War Avge. | 1942-45 War Avge. | 1945 | 1946 | Dividend Paid 1945 | 1946 | Price Range 1938-41 Pre-War | | 1942-45 War | | 1946 | | 1947 | | Recent Price | Dividend Yield |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Am. Ex. Lines (a) | 2.7 | $6.32* | $2.29 | $1.45 | $3.75 | $ .60 | $ .90 | †11 3/5 | 3 3/10 | 17¼ | 6½ | 28⅞ | 17¼ | 20⅛ | 16⅞ | $18 | 5.0% |
| Am.-Haw'n S.S. | 3.7 | 4.51 | 3.17 | 2.74 | 2.48Se9 | 3.00 | 3.00 | 50½ | 9 | 56¼ | 25½ | 55¾ | 37½ | 40½ | 38¼ | 40 | 7.5 |
| Am. Shipbuilding | 7.0 | 2.03Je | 4.21Je | 4.38Je | 3.32Je | 3.00 | 3.00 | 46¼ | 23 | 44¾ | 24 | 52 | 33 | 39¾ | 34½ | 38 | 7.9 |
| Atlantic, Gulf, & W.I. S.S. | 2.2 | 0.30 | 11.87 | 8.06(b) | 36.23(b) | 3.00 | 3.00 | 45½ | 4¼ | 45 | 16½ | 49¾ | 26¾ | 34¾ | 25¾ | 30 | 10.0 |
| Bath Iron Works | 1.4 | 2.80 | 7.70 | 6.20 | 4.26Je6 | 4.00 | 3.50 | 25¾ | 4⅛ | 24⅜ | 12⅛ | 39¾ | 18¼ | 19⅞ | 17⅜ | 19 | 18.5 |
| Elec. Boat Co. | 5.8 | 2.21 | 2.59 | 3.19 | ........ | 1.50 | 1.25(x) | 18⅜ | 6 | 24¼ | 8⅜ | 35¾ | 12¾ | 16⅜ | 13¼ | 14 | 8.9 |
| Merchants & Miners Trans. | 9.9 | 0.76 | 2.58 | 0.77 | 8.62 | 2.00 | 2.00 | 30¾ | 10 | 45½ | 21 | 52½ | 36½ | 47½ | 41¼ | 42 | 4.7 |
| Moore McCormack Lines | 1.1 | .... | .... | 2.56 | 3.52Se9 | 1.00 | 2.00 | ........ | ........ | 24⅝ | 21 | 30⅞ | 20 | 26⅝ | 20⅜ | 25 | 8.0 |
| N. Y. Shipbldg. (fdrs.) | 1.8 | k3.28 | k7.33 | k7.50 | k4.45 | 3.00 | 1.50 | 31½ | 5 | 25¼ | 11 | 26 | 10½ | 13½ | 10½ | 12 | 12.5 |
| Newp't News Shipbuilding | 1.9 | 5.57 | 5.85 | 6.25 | 6.69 | 2.50 | 4.00 | 37¾ | 19½ | 27⅞ | 12 | 34¾ | 18½ | 21⅝ | 18⅜ | 19 | 21.1 |
| Todd Shpyds. Co. | 1.8 | 7.08Mr | 17.13Mr | 10.48Mr | 12.33Mr | 8.50 | 6.00 | 104¾ | 44 | 123 | 50 | 165 | 95 | 103 | 93 | 94 | 6.4 |
| United States Lines | 1.3 | .... | 1.24 | 1.51 | 4.82 | Nil | 1.00 | ........ | ........ | 16⅜ | 4¾ | 25⅜ | 13⅝ | 19⅞ | 16¼ | 18 | 5.6 |

(a) All figures adjusted for 2½ for 1 split, June 1946. (x) Plus 1 share for each 4 shares held.
(b) Includes non-recurrent income of $1.33 in 1945 and $35.60 in 1946. * 1939-41 Average. † 1940-41 Price Range.
k—On combined founder and participating sotck. Mr—Fiscal year ended March 31. Je—Fiscal year ended June 30.
Je6—For 6 months ended June 30. Se9—For 9 months ended September 30.

# 100 MOST ACTIVE . . . . . . . . LOW PRICED STOCKS

## UNDER $20 PER SHARE

By FREDERICK K. DODGE

SINCE THE BOOM DAYS of last May in the stock market, the ups and downs in share prices to date have brought an interesting change in the relationship of various groups. For speculatively-minded investors, the low priced stocks have traditionally held above average allure, partly because with a given sum of money more shares could be purchased than in the higher brackets, and partly for the reason that a slim rise measured by points could represent a substantial profit percentagewise. But Wall Street runs in two directions, so that when a market decline occurs this form of reasoning must apply in reverse. Hence students of the Magazine of Wall Street's twenty year old Index of Stock Prices attach significance to the fact that during the past 10 months the 100 stocks included in our Low Priced Group have declined about 31% from their last May's highs, compared with a relative dip of only 24.5% for the 100 high priced issues grouped in our Index.

At the outset, however, our readers are reminded that quality plays no part in the selection of shares for our Index. From long experience we have learned that to discover just what really is going on in the Stock Market, in considering price trends for groups, we must combine the factors of activity and price range each year, changing our lists annually when necessary to include only those shares which have established a trading volume fully up to our standards. As for our Low Priced group, moreover, the price must not exceed $20 per share. In consequence, the over-all picture is a medley of good, bad and indifferent fundamentals, if appraised from the angle of genuine investment merit. On the other, the Index has proven reliability in clarifying market action established in former periods and right up to date, supplying valuable aids in appraising price performance of a representative group, inviting comparisons with that of the "blue chips" or with its own course under various market conditions.

Although prices for our 100 Low Priced Stocks, after due weighting and adjustments, have declined much faster as to percentage than the stocks in our fancier priced group, it must be pointed out that they fell from a relatively higher pinnacle established last year, and for that matter had soared spectacularly during most of 1945. During 11 months of 1945 alone our Low Priced Index climbed to the extent of 73% against a rise of 38% only for our 100 High Priced Group. And by May of 1946 their relative levels were: High Priced Stocks—110.40, and Low Priced—247.97. Viewed in this light, it may not appear surprising in the subsequent downward price trend the decline for the Low Priced shares was more expressive, for included in this group were many issues of poor or doubtful quality which had been pushed to heights wholly out of line with their intrinsic merits.

Of more importance, undoubtedly, is the fact that along with a lot of "cats and dogs" many shares of strong, well rated concerns normally in the low-price brackets were carried along down stream with the general market current. Just because some of these shares are selling below 20 in no way lessens their underlying investment appeal, for in many instances their relatively low price is due in the main to a large number of shares they have outstanding and among which substantial and stable earnings will have to be apportioned. If the recent popularity of stock split-ups continues unabated, it is possible that in the long run the majority of former aristocrats may be found in the lower brackets, without the least loss to their sound fundamentals. In any event, it has seemed constructive to us to cull out from our list of 100 Low Priced Stocks 10 specially selected issues with the idea that when a proper time comes an investor should advisedly purchase them for a conservative portfolio. By following the advice furnished regularly by our Mr. A. T. Miller in the Magazine of Wall Street, our readers will discover just when an opportune period for purchase has arrived and may be guided accordingly. In choosing a few issues for brief discussion we have been careful to select only stocks of concerns well entrenched financially and with prospects suggesting higher earnings, more liberal dividends and consequently enhanced potentials for ultimate appreciation. In these considerations the Low Price factor is only circumstantial, for generally speaking many shares included in our Index of Low Priced Stocks are still substantially over-priced, in our opinion, and in the High Priced Group are many situations with above average promise, although not coming within the scope of this article. In short, our yardstick, though based on price, is essentially one of realistic fundamentals. On appended tables, however, our readers will find statis-

tics covering the entire list of 100 Low Priced Stocks used in our index.

### Aviation Corporation

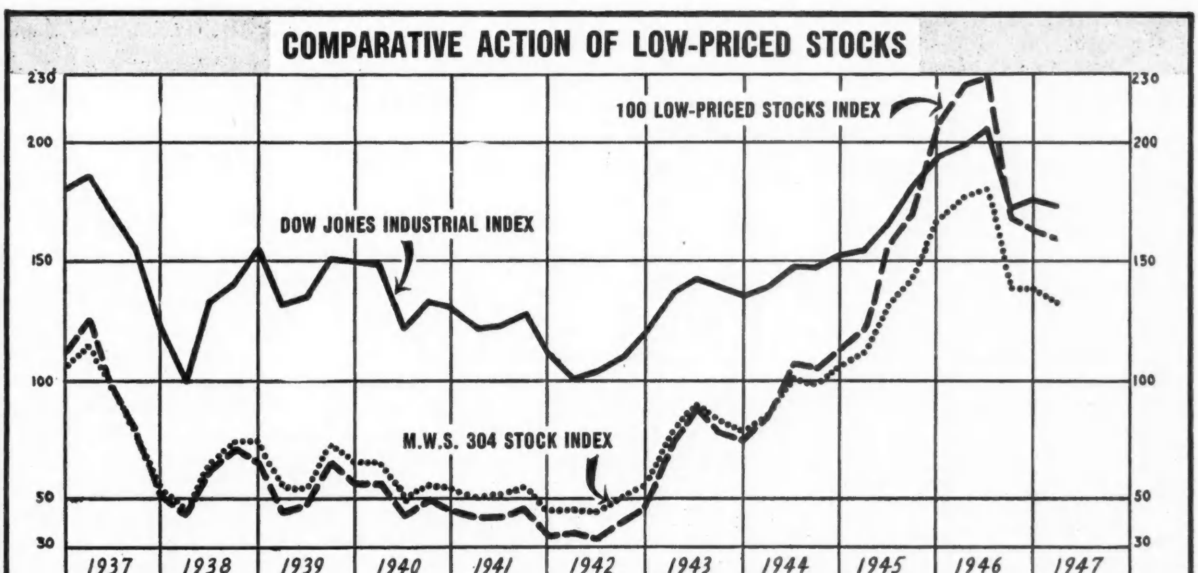
Company has far outgrown its original activities in the aviation industry and under the dynamic management of Victor Emanuel has become widely diversified in other fields. Through its Lycoming division, however, its production of aircraft engines and parts is substantial and the company owns a 26% interest in Consolidated Vultee Aircraft Corp. Among other concerns in which AVCO holds a controlling or partial interest are Spencer Heater, American Propeller, New Idea, New York Ship Building, the Crosley Corp., ACF-Brill, and Frozen Food Products, Inc. As matters now stand the company's main efforts are in the field of household appliances, for which the demand is now strong. Company's capitalization consists of 271,262 shares of $2.25 preferred and some 5.9 million shares of $3 par common. Prior to the war net earnings were spotty, but during the five year period of 1941-45 they averagedabout 66 cents per shade, with a top of 99 cents in 1945. For the first 9 months of 1946 net was abnormally pushed up to $2.12, due to a profit of over $12 million derived from a sale of American Airways stock. Dividends on the common were maintained at an annual rate of 50 cents per share in 1945 and 1946. Market action of the shares has always been very volatile as will be noted from the appended table. High price of 14¾ in 1946 compares with a recent price of 6¼.

### American Radiator & Standard Sanitary Corporation

For nearly half a century past this important producer of plumbing, heating and ventilating equipment or its predecessors has enjoyed a large and relatively stable business. In view of the company's strongly entrenched trade position and reputation, along with every promise of a record demand for years ahead in the building field, it would appear that medium term prospects were clearly on the bright side. Before consolidation with the Standard Sanitary Corporation in 1929, American Radiator had paid dividends on its common since 1904 without a break, as was the case also with Standard. Aside from a lapse during 1933-35, the merged concern has continued payments without interruption to date. As the present company, however, has outstanding a very large number of common shares (approximately 10 million), their dividends are in terms of cents rather than dollars and their average price is in the lower brackets. Net earnings for 1946 were reported as equal to 96 cents per share and dividends were paid at the rate of 40 cents per annum, same as in 1945. Despite the good investment rating for these shares, their price tends to swing with the general market to some extent, a recent price of 16 comparing with a 1946 high of 23.

### Armour & Company

We include this concern in our discussion because we feel that when the planned recapitalization becomes effective and arrears on the preferred stock have been cleared, the common will emerge into a new status where dividends should be possible and the way opened for considerable stability. Armour ranks as the second largest meat packer in the world, with sales topping $1.1 billion in 1946 and with net income equal to $4.27 per share on the common, after heavy allowances for possible inventory depreciation. Indeed, during the 1941-45 period net earnings averaged close to $1.80 per share, although dividends were precluded by arrears from former years on the preferred. These latter accumulations have now been cut to modest proportions and can be easily eliminated, and when, as planned a new issue of 4½% preference stock is substituted for large amounts of outstanding 6% and 7% preferred, prior charges will be substan-



tially reduced. Armour's working capital at the end of 1946 stood at an all time high of $150 million and its $88.9 million of funded debt has all been refinanced at very low rates. This debt plus the preferred serves to provide an interesting leverage for the common shares although the latter number slightly more than 4 million. In the 1946 bull market Armour shares sold up to 18½ and a recent price of 14½ is close to the low mark for 1947, thus far.

### Bridgeport Brass Company

Activities of this concern date way back to 1865. Hence its experience has been long and valuable as a fabricator of many products made from copper, brass and their non-ferrous metal alloys. Sheets, rods, tubing, wire, plumbing goods, automobile specialties and building products afford wide diversification in output. In common with many concerns making durables, Bridgeport's business is adversely affected during major depressions but on the whole its earnings record has been impressive, with dividends distributed in 39 out of the past 43 years. 1946 proved an exceptionally good year with earnings equal to $3.27 per share, and 1947 appears to hold equal promise. Last year 60 cents a share was paid to stockholders against 40 cents in 1945. Thus far in 1947, 40 cents has already been paid. With $11 million of working capital the company seems to be amply financed, in view of sales running somewhat above $50 million, or possibly $60 million. The common shares are actively traded in, with a recent price of 17 comparing with a high —18½ and low—14½ for the current year.

### Budd Company

Here we have a concern rated as marginal during the prewar decade, but now seemingly well on its feet with ample finances and a backlog of orders which was reported as high as $159 million last August. It is significant that $100 million of the latter represented business from the automotive industry and the balance from railroads for much needed rolling stock. As the company is a leading producer of automobile bodies, wheels and brakes and of stainless steel railroad passenger cars, the increasing demand for all of these items enhances near term potentials for sales and profits, too. 1946 was a tough year for this concern, due to shortages of electrical equipment and other supplies such as steel, with the result that during the first nine months a deficit of $1.03 per share was shown. Given a fair break in the current year, however, results could well be very satisfactory. The consolidation of the predecessor concern, Edward G. Budd Mfg. Co. with Budd Wheel Co. last year was logical and tended to create a new degree of stability in operations. The sound status of this concern enabled it to borrow $30 million through 3⅝% debentures due 1961 last year thus putting it in strong shape to handle a large business. Approximately 3.2 million shares of common (no par) are outstanding, preceded by 143,194 shares of $5 preferred. The stock has been volatile as to prices, as shown by a 1946 high of 22⅛ and a low of 9⅞. Recently the shares have been selling around 13.

### Burroughs Adding Machine Company

This company, as everyone knows, has been a major factor for more than 40 years in the field of office machines of various types. Gross income from sales and rentals has averaged above $40 million annually since 1941 and under normal conditions foreign customers account for nearly a third of the business. An illustrious record for stable earnings and dividends has been established, with distributions regularly made since 1905. The shares accordingly have a strong investment status. The sole capitalization consists of 5 million shares of no par common, this large number causing the price to range below $20 per share. In 1946 the quarterly dividend was raised from 10 cents per share to 15 cents, or at the annual rate of 60 cents per share. During the first half, operations were hampered by shortages but are reported to have been accelerated later. At the beginning of 1947 the company was struggling to meet some $70 million orders piled up on the books. From a high of 21¾ in 1946 the shares dipped to 13 and recently sold at 14½.

### Canada Dry Ginger Ale, Inc.

Company produces ginger ale and sparkling water in 23 plants in the United States, 4 in Canada and 2 in Cuba. Additionally it distributes Johnny Walker Scotch whiskey and other imported liquors and wines. For many years past net earnings of this concern have been relatively stable, ranging between $2.34 and $2.70 per share during the 1941-45 period. Last year the restriction on sugar use cut into earnings somewhat, so that net for the year ended September 30, 1946 came to only $1.07. With this adverse factor now substantially eased, it is thought that earnings will trend decidedly upward in the current year, especially as the public has so much spending money at its command. Approximately 1.9 million shares of common are outstanding selling within a range of 22⅞ and 11¾ in 1946 and with a recent price of 15⅝.

### Nash-Kelvinator Corporation

A dual output of automobiles and refrigerators provides diversification for this strong concern, operating in two divisions. Prior to the consolidation of Nash Motors with Kelvinator in 1937, the former had established an unbroken dividend record since 1918. During 1939 and 1940 the merged unit deferred dividends but for the past five years they have been paid at an annual rate of 50 cents per share. Despite all the adverse conditions in 1946, Nash-Kelvinator accomplished quite a feat in earning 59 cents per share, which promises well for the current year if all goes well. With working capital around $60 million, the financial position is strong. Outstanding are about 4.3 million shares of $5 par, recently selling around 18, and compared with a 1946 range of 25⅜-13. (*Please turn to page 762*)

## Statistics on 100 Most Active Low Priced Stocks

| | Current Ratio | Net Per Common Share: 1938-41 Pre-War Avge. | Net Per Common Share: 1942-45 WarYears Avge. | Net Per Common Share: 1945 | Net Per Common Share: 1946 | Dividends Per Common Share: 1945 | Dividends Per Common Share: 1946 | Price Range: Pre-War Years 1938-41 | | Price Range: War Years 1942-45 | | Price Range: 1946 | | Price Range: 1947 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Alaska Juneau | 1.1 | $0.66 | d$0.05 | d$0.07 | ........ | Nil | Nil | 13⅜ | 1½ | 9⅝ | 1¾ | 12¼ | 5 | 15⅛ | 12⅝ |
| Amer. Air Lines | 1.9 | A0.35 | A0.63 | A0.67 | d0.05Se9A | $.20 | Nil | A7½ | A2¾ | A12⅞ | A2½ | 19⅞ | 9 | 11¼ | 8½ |
| Amer. Cable & Radio | 4.2 | 0.18 | 0.50 | 0.46 | d0.14Se9 | Nil | Nil | 3 | 1 | 17 | 1⅛ | 17¼ | 5⅞ | 7⅝ | 5⅞ |
| Amer. & Foreign Power | .... | d8.56 | d7.08 | d6.32 | d5.72Se9 | Nil | Nil | 5¼ | ¼ | 8⅞ | 3/32 | 14¼ | 5⅛ | 6¾ | 5⅛ |
| Amer. International | .... | 0.02 | 0.36 | 0.48 | 0.60 | .45 | $.55 | 9 | 2½ | 15 | 2¾ | 16⅜ | 9¾ | 12½ | 10⅜ |
| Amer. Power & Light | 1.5 | 0.24 | 1.01 | 2.66 | 5.69Nv11 | Nil | Nil | 7½ | ⅜ | 13½ | ½ | 22½ | 10⅛ | 16¾ | 11¾ |
| Amer. Radiator & S.S. | 5.2 | 0.42 | 0.55 | 0.53 | 0.96 | .40 | .40 | 19½ | 3¾ | 19¾ | 3¾ | 23 | 12⅞ | 17 | 14 |
| Amer. Zinc, Lead & Smtg. | 4.0 | 0.07 | 0.77 | 0.54 | d0.02Se9 | .10 | Nil | 12 | 2¾ | 11⅞ | 3½ | 15⅝ | 7 | 10⅞ | 8⅞ |
| Armour & Co. | 3.2 | 0.01Oc | 1.79Oc | 4.27Oc | ........ | Nil | Nil | 7⅝ | 2¼ | 15 | 2½ | 18½ | 10⅛ | 15⅜ | 12⅝ |
| A.T.F. | 2.0 | 0.14Mr | 1.66Mr | 1.51Mr | 1.64Mr | .50 | .50 | 9½ | 2⅝ | 24⅞ | 3¾ | 29⅛ | 13 | 18¾ | 14½ |
| Aviation Corp. | 2.7 | d0.01Nv | 0.74Nv | 0.99Nv | 2.06Nv | .20 | .20 | 9⅝ | 2½ | 10½ | 2¾ | 14⅜ | 6⅛ | 7⅜ | 6¼ |
| Balt. & Ohio R.R. | 1.99 | 0.24 | 10.07 | 5.29 | 0.86 | Nil | Nil | 11 | 2⅛ | 28⅞ | 2⅝ | 30¼ | 11 | 16⅝ | 13 |
| Braniff Airways | 4.2 | d0.04 | 0.75 | 0.85 | 0.02Se9 | .60 | .45 | unlist | | 37½ | 11¼ | 34⅝ | 12 | 13½ | 9⅞ |
| Bridgeport Brass | 4.2 | 0.89 | 1.13 | 0.75 | 3.27 | .45 | .60 | 16 | 5⅜ | 19⅜ | 7⅜ | 20⅜ | 14¼ | 18½ | 14½ |
| Budd Co. | .... | new co. | new co. | new co. | d1.03Se9 | .... | Nil | new co. | | new co. | | 22⅛ | 9⅞ | 14⅞ | 11½ |
| Burroughs Adding Machine | 5.0 | 0.64 | 0.64 | 0.25 | 0.40 | .40 | .55 | 22¼ | 5¾ | 20¾ | 6¼ | 21¾ | 13 | 15⅞ | 13⅞ |
| Callahan Zinc & Lead | deficit | def.0.02 | 0.005 | def.0.001 | 0.005 | Nil | Nil | 3¼ | 15/32 | 4 | ½ | 7½ | 3 | 3⅞ | 3 |
| Calumet & Hecla | 11.7 | 0.35 | 0.56 | 0.43 | 0.82 | .35 | .40 | 10¾ | 4⅝ | 9½ | 5¾ | 12¾ | 6½ | 8¼ | 7 |
| Canada Dry | 3.6 | A0.81Se | A0.80Se | A0.78Se | 1.07Se | .33⅓ | .32⅔ | A7½ | A3⅝ | A15¼ | A3 | 18 | 12⅞ | 17½ | 14⅛ |
| Canadian Pacific | 2.8 | 0.83 | 2.42 | 1.98 | 1.53 | 1.25 | 1.25 | 8⅛ | 2⅜ | 20½ | 3⅜ | 22⅞ | 11¾ | 15⅜ | 12 |
| Chi., M., St. P. & Pac. | 3.3 | Reorgan. | Reorgan. | Reorgan. | ........ | Nil | Nil | Reorgan. | | Reorgan. | | 38½ | 11½ | 14⅝ | 11 |
| Colorado Fuel & Iron | 2.5 | A0.72Je | A1.68Je | 1.74Je | d0.57Je | .52½ | .60 | A12 7/16 | A4 9/16 | 18⅜ | A6¾ | 23¾ | 10¼ | 16½ | 12¾ |
| Columbia Gas & Electric | 1.6 | 0.41 | 0.58 | 0.74 | 1.20 | .20 | .30 | 9⅞ | 1 | 11½ | 1 | 14 | 8½ | 12 | 10⅜ |
| Commonwealth Southern | 1.8 | 0.10 | 0.13 | 0.20 | 0.68 | Nil | Nil | 2¼ | ⅛ | 4¼ | 5/32 | 5¾ | 2¾ | 4 | 3 |
| Consolidated Coppermines | 8.2 | 0.48 | 0.24 | 0.27 | 0.21Se9 | .20 | .20 | 10½ | 3½ | 7¼ | 3⅜ | 10¾ | 5⅛ | 7 | 5⅝ |
| Consolidated Vultee | 3.3 | ...... | 6.93Nv. | 4.72Nv | d1.77Nv | 2.00 | 2.00 | .... | .... | 35¼ | 9⅛ | 33⅝ | 14¾ | 17⅞ | 14⅞ |
| Continental Motors | 1.5 | 0.24Oc | 1.79Oc | 1.67Oc | d0.47Ap6 | .60 | .35 | 5½ | ⅞ | 20 | 2¾ | 24 | 10 | 12⅝ | 9⅛ |
| Curtis Publishing | 3.2 | d1.13 | d0.01 | 0.02 | 0.22Se9 | Nil | Nil | 8¼ | ⅜ | 24½ | 13/32 | 24½ | 16½ | 12¼ | 8¾ |
| Curtiss Wright | 1.7 | 1.38 | 1.87 | 2.97 | 0.46Se9 | .50 | .50 | 13¼ | 3¼ | 9½ | 4¾ | 12⅛ | 5⅜ | 6⅜ | 5⅝ |
| Del., Lack. & Western | 2.5 | 0.15 | 0.98 | d1.95 | 0.02 | Nil | Nil | 8⅞ | 2⅜ | 16⅜ | 2⅞ | 16¼ | 6⅜ | 10⅝ | 6¾ |
| Electric Boat | 5.8 | 2.21 | 2.59 | 3.19 | ........ | 1.50 | 1.25(x) | 18⅜ | 6 | 24¼ | 8⅜ | 35¾ | 12¾ | 16⅜ | 13½ |
| Equitable Office Bldg. | 1.1 | 0.002 | def.0.18 | 0.08Ap | 0.20Ap | Nil | Nil | 2⅞ | 1/16 | 4¼ | 1/16 | 5¾ | 2¼ | 3⅞ | 2½ |
| Erie R.R. | 1.9 | d2.68 | 3.00 | 1.54 | 0.40 | 1.00 | 1.00 | 10 | 4¼ | 20½ | 4⅞ | 23⅛ | 9½ | 12½ | 10 |
| Farnsworth Tel. & Radio | 5.6 | d0.20Ap | 0.59Ap | 0.68Ap | 0.29Ap | Nil | Nil | unlisted | | 20½ | 8⅞ | 19¾ | 7¾ | 9⅜ | 7¼ |
| Gair, Robert | 2.8 | 0.31 | 0.42 | 0.33 | 1.12 | .30 | 6% stock | 5⅞ | 1¼ | 10¾ | 1½ | 11⅞ | 7 | 8⅛ | 6½ |
| Gar Wood | 1.9 | 0.57Oc | 0.79Oc | 0.55Oc | def1.94Oc | .40 | .10 | 5¼ | 2½ | 14½ | 2½ | 17 | 7⅞ | 9⅞ | 7¾ |
| General Baking | 2.6 | 0.71 | 0.79 | 0.76 | 2.09 | .60 | .90 | 11⅛ | 3⅛ | 14⅜ | 3⅜ | 14¾ | 10⅛ | 13¼ | 11⅜ |
| General Public Service | .... | ...... | d0.08 | d0.05 | 0.08 | Nil | .15 | .... | .... | 7⅝ | 3/16 | 7⅜ | 3⅛ | 4½ | 3½ |
| General Realty | 4.5 | ...... | 0.13Se | 0.40Se | 0.49Se | Nil | Nil | .... | .... | 8⅞ | 3¼ | 11¾ | 4¾ | 6¾ | 5 |
| Graham Paige | 1.6 | d0.35 | 0.96 | 0.20 | d0.61Oc10 | Nil | Nil | 2 | ½ | 12⅜ | 9/16 | 16 | 5⅛ | 5¾ | 3¾ |
| Grt. Northern Iron Ore | 3.8 | 0.75 | 0.71 | 0.61 | 0.54 | 1.50 | 1.00 | 22½ | 9¼ | 21½ | 13½ | 21 | 13½ | 14⅞ | 13¼ |
| Gulf, Mobile & Ohio R.R. | 1.9 | d2.54 | d2.95 | d0.26 | d0.17 | Nil | Nil | 2⅜ | 1¼ | 30½ | 2⅛ | 30¼ | 9½ | 14⅞ | 10½ |
| Hayes Mfg. | 3.1 | d0.40Se | 0.73Se | 0.34Se | 0.24Se | Nil | Nil | 6⅛ | 1⅛ | 14 | ⅞ | 15⅞ | 5⅞ | 8½ | 6⅛ |
| Hupp | 2.9 | d1.00 | 0.36 | 0.45 | d0.09Se9 | Nil | Nil | 2¾ | ¼ | 9¾ | 5/16 | 10⅞ | 5¼ | 7½ | 5½ |
| Inspiration Cons. Copper | 8.0 | 1.06 | 1.33 | 1.13 | 0.72Se9 | 1.00 | 1.00 | 21 | 7⅛ | 19¼ | 8¾ | 22½ | 13¼ | 17½ | 14¼ |
| Interlake Iron | 9.1 | 0.20 | 0.33 | d0.41 | 0.57Se9 | .25 | .60 | 16⅞ | 6 | 14⅞ | 5⅜ | 20¼ | 10⅛ | 13⅝ | 11 |
| Intl. Hydro-Electric A | def. | d0.18 | d0.42 | 0.06 | 0.37Se9 | Nil | Nil | 9⅛ | ¼ | 13¾ | ¼ | 15½ | 6½ | 10⅝ | 7¾ |
| Laclede Gas | 1.9 | NF | NF | 0.63 | 0.72Oc12 | Nil | .25 | NF | | 7¾ | 4¾ | 9⅜ | 5⅝ | 7 | 5¾ |
| Lehigh Coal & Navigation | 2.0 | 0.37 | 1.23 | 0.88 | 1.26Nv11 | 1.00 | 1.00 | 5⅞ | 1½ | 17⅛ | 3⅝ | 17¼ | 10½ | 12⅛ | 10⅜ |
| Lehigh Valley Coal | 4.0 | d0.68 | 0.52 | 0.36 | 0.37 | Nil | Nil | 3¼ | ¼ | 5⅞ | ¾ | 5⅞ | 2½ | 3¼ | 2⅜ |

A—Adjusted. NF—Not furnished. def.—Deficit.
x—Plus 1 share Pfd. Stock for each 4 shares held.

## *Statistics on 100 Most Active Low Priced Stocks*

| | Net Per Common Share | | | | | Dividends Per Common Share | | Price Range | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Current Ratio | Pre-War 1938-41 Avge. | WarYears 1942-45 Avge. | 1945 | 1946 | 1945 | 1946 | Pre-War Years 1938-41 | | War Years 1942-45 | | 1946 | | 1947 | |
| Lehigh Valley R.R. | 2.2 | d0.08 | d1.28 | d6.25 | 0.09 | Nil | Nil | 7¼ | 1⅜ | 17½ | 2⅜ | 17¼ | 6½ | 8⅞ | 6¼ |
| Libby, McNeill & Libby | 4.2 | 0.26Fe | 0.90Fe | 0.87Fe | 0.93Fe | $.50 | $.60 | 10 | 3⅞ | 12½ | 4 | 15⅛ | 10 | 10⅞ | 9⅞ |
| Marine Midland | .... | 0.66 | 0.83 | 0.85 | 0.95 | .22½ | .30 | 7½ | 2⅛ | 11½ | 2¾ | 11⅜ | 7¼ | 8½ | 7½ |
| Miami Copper | 4.2 | 0.59 | 1.14 | 1.37 | 0.61Je6 | .50 | 1.25 | 16⅞ | 4⅜ | 14¾ | 5 | 18¾ | 10⅛ | 18⅛ | 13½ |
| Minn-Moline Pwr. Impl. | 2.4 | 0.52Oc | 1.07Oc | 0.56Oc | 1.52Oc | Nil | Nil | 8 | 1⅝ | 13⅜ | 1⅞ | 19⅝ | 8½ | 12½ | 9⅛ |
| Missouri-Kansas-Texas | 1.3 | d9.12 | 1.33 | 1.48 | d3.65 | Nil | Nil | 3⅜ | ¼ | 16¾ | 7/16 | 17¾ | [illegible] | 8 | 5⅞ |
| Murray Corp. of America | 2.3 | 0.36Au | 1.36Au | 1.02Au | d0.77Au | .75 | Nil | 10¼ | 4 | 21½ | 4¾ | 22 | 9¾ | 15½ | 11½ |
| Nash-Kelvinator | 2.7 | d0.18Se | 0.78Se | 0.58Se | 0.59Se | .50 | .50 | 12½ | 3 | 25¾ | 3⅜ | 25⅜ | 13 | 19⅝ | 14½ |
| National Can | 8.8 | 0.05 | 0.10 | 1.00 | d0.59Je6 | Nil | Nil | 26⅛ | 3⅝ | 20⅛ | 3¾ | 21¾ | 9½ | 13¾ | 11¼ |
| National Supply | 5.6 | 0.23 | 2.03 | 1.79 | 1.48 | Nil | Nil | 23 | 4 | 24⅛ | 4 | 25 | 11⅞ | 15⅞ | 12¾ |
| N. York Shipbuilding | 1.2 | K3.28 | K7.33 | K7.50 | k4.45 | 3.00 | 1.50 | p35 | p4¾ | P24⅛ | P12⅝ | P28¾ | P11½ | P26½ | P20⅜ |
| North Amer. Aviation | 3.6 | 1.71Se | 2.70Se | 2.28Se | 1.16Se | 1.00 | 1.00 | 29¼ | 5⅞ | 15⅞ | 7⅝ | 16⅝ | 9¼ | 10¾ | 9½ |
| Omnibus | 2.5 | ...... | 1.05 | 1.34 | 1.49Je6 | 1.00 | 1.00 | 20½ | 2 | 18½ | 2½ | 17⅞ | 10¼ | 13⅜ | 10¾ |
| Pacific Tin | 8.68 | d0.06 | d0.02 | 0.03 | 0.22 | Nil | Nil | 7⅜ | 1¼ | 10 | 1¼ | 11⅛ | 5 | 7 | 5 |
| Packard | 2.0 | -0.08 | 0.24 | 0.08 | 0.09Se9 | .15 | Nil | 6 | 1⅝ | 12 | 1⅞ | 12⅝ | 5⅝ | 7¾ | 6 |
| Pan American Airways | 2.2 | A0.35 | A0.63 | A0.62 | ........ | .25 | .50 | A7½ | A2¾ | A12⅞ | A2½ | 27 | 11½ | 14⅞ | 11⅝ |
| Panhandle Prod. & Refg. | 1.7 | 0.09 | 0.43 | 0.78 | d0.46Se9 | .20 | Nil | 2 | ½ | 14¼ | 1 | 14¼ | 4¾ | 9⅛ | 5½ |
| Park Utah Mines | 13.1 | 0.04 | 0.08 | 0.04 | 0.03 | 2.62½ | 1.05 | 4 | 1 | 5½ | 1⅛ | 7⅜ | 3½ | 4¼ | 3½ |
| Patino Mines | 2.0 | NF | NF | NF | NF | .10 | .10 | 14½ | 5¼ | 24¼ | 13⅜ | 24⅞ | 11⅛ | 14 | 11¼ |
| Pittsburgh Screw & Bolt | 3.9 | 0.38 | 0.58 | 0.54 | 0.81 | .40 | .40 | 11⅜ | 3¾ | 12⅜ | 3¾ | 14 | 7¼ | 9⅝ | 7½ |
| Pressed Steel Car | 1.9 | d0.33 | 1.97 | 0.89 | d0.61 | 1.00 | .50 | 16½ | 4¾ | 26⅜ | 5⅝ | 30 | 11⅞ | 16 | 12⅜ |
| Radio Corp. of America | 2.4 | 0.39 | 0.50 | 0.59 | 0.56 | .20 | .20 | 9⅛ | 2¼ | 19⅜ | 2½ | 19 | 9 | 10¾ | 8¾ |
| Radio-Keith-Orpheum | 2.8 | d0.36 | 1.38 | 1.80 | 2.59Se9 | Nil | .90 | 3¾ | 2 | 18⅜ | 2 | 28⅛ | 15⅛ | 15¾ | 12⅞ |
| Republic Aviation | 1.5 | d0.55 | 2.22 | 1.92 | 0.44Se9 | .50 | .25 | 7⅝ | 2⅝ | 18⅝ | 2¾ | 24⅞ | 7⅞ | 9⅞ | 7⅜ |
| Republic Pictures | 2.0 | new co. | new co. | ...... | B0.40 | Nil | Nil | new co. | | new co. | | 17⅞ | 7 | 8⅝ | 6½ |
| Richfield Oil | 4.0 | 0.79 | 0.91 | 0.74 | 1.12Se9 | .75 | .80 | 12⅛ | 5 | 18¾ | 6⅝ | 20⅜ | 12¾ | 16⅜ | 13¾ |
| Savage Arms | 6.6 | A0.85 | 1.29 | 0.52 | 1.22 | .50 | .62½ | 23 | A2¼ | 14¼ | 9⅜ | 18 | 9¾ | 11½ | 9⅞ |
| Servel | 3.2 | 1.42Oc | 0.83Oc | 0.70Oc | 0.67Oc | 1.00 | .30 | 18⅜ | 4½ | 24⅞ | 4⅞ | 24⅜ | 12⅜ | 16⅞ | 13⅝ |
| Sheraton Corp. of Amer. | .... | new co. | new co. | new co. | B0.40 | Nil | .15 | new co. | | new co. | | 11⅜ | 7¼ | 9½ | 7¾ |
| Silver King Coalition M. | 9.5 | 0.25 | 0.09 | d0.03 | d0.10 | Nil | Nil | 9⅛ | 2 | 12¾ | 2⅛ | 14⅝ | 5⅝ | 6¾ | 5½ |
| Sinclair Oil | 4.2 | 0.66 | 1.72 | 1.31 | 1.01Je6 | 1.00 | 1.00 | 10¾ | 5 | 21⅛ | 4⅝ | 20¾ | 15 | 16½ | 15⅛ |
| Socony-Vacuum Oil | 3.9 | 1.23 | 1.37 | 1.36 | ........ | .65 | .75 | 16⅜ | 7⅛ | 18¾ | 6⅛ | 18¼ | 13¼ | 15¼ | 14 |
| South Amer. Gold & Pt. | 9.1 | 0.28 | 0.11 | 0.05 | 0.32Se9 | .20 | .20 | 3¼ | 1⅜ | 7½ | 1⅝ | 8¾ | 4¾ | 5¼ | 4¼ |
| Sparks Withington | 2.1 | d0.10Je | 0.75Je | 0.85Je | 0.22Je | .20 | Nil | 4⅜ | 1 | 12¾ | 1¼ | 13⅞ | 5½ | 7⅝ | 5¼ |
| Spiegel | 3.6 | 0.97 | d0.83 | 0.55 | 0.69Je6 | Nil | Nil | 16½ | 3 | 23⅞ | 2½ | 39⅜ | 14⅛ | 17¼ | 13½ |
| Standard Steel Springs | 1.3 | A0.53 | 1.06 | 1.20 | 1.08 | .25 | .50 | A8⅛ | A2½ | 20⅝ | A4½ | 25 | 11 | 17⅛ | 12¾ |
| Stone & Webster | 2.2 | 0.59 | 1.02 | 1.21 | 1.15Se9 | 1.00 | 1.25 | 17⅜ | 4¼ | 24 | 4 | 23¾ | 14⅝ | 17 | 14¾ |
| Sunray Oil | 3.3 | 0.27 | 0.44 | 0.54 | 0.46Se9 | .20 | .30 | 3¼ | 1⅜ | 9⅛ | 1⅜ | 14⅞ | 7⅜ | 9¾ | 7⅞ |
| Sunshine Mining | 5.2 | 1.93 | 0.62 | 0.54 | 0.35 | .40 | .40 | 14⅜ | 3⅝ | 23⅝ | 3⅜ | 24 | 10⅜ | 13⅝ | 11⅛ |
| Symington Gould | 4.9 | 0.45 | 0.60 | 0.74 | 0.31 | .50 | Nil | 8⅛ | 3⅝ | 13⅜ | 3¾ | 16⅞ | 7⅜ | 10½ | 7½ |
| Texas Gulf Producing | 1.9 | 0.49 | 0.55 | 0.66 | 1.17 | .30 | .35 | 5⅞ | 2 | 10¾ | 2 | 18 | 9½ | 14⅛ | 10⅛ |
| Transamerica | .... | 0.66 | 0.83 | 1.85 | 0.70Je6 | .75 | .80 | 7½ | 2⅛ | 11½ | 2 | 21⅞ | 13⅛ | 15½ | 13 |
| Tri-Continental | .... | 0.005 | 0.07 | 0.12 | 0.30 | .20 | .30 | 4⅞ | ⅝ | 10⅞ | ¾ | 12⅝ | 5⅞ | 7¾ | 6¼ |
| United Cigar-Whelan | 3.2 | Ad0.37 | A0.59 | 0.80 | 0.33Je6 | Nil | Nil | .... | .... | 13 | 7¾ | 17¼ | 6⅝ | 8¼ | 6½ |
| United Rexall Drug | 2.7 | A0.48 | A0.81 | 0.71 | 0.71Se9 | Nil | Nil | A3⅝ | A1⅞ | A14⅝ | A2¼ | 18⅞ | 9½ | 11¾ | 9¾ |
| Walworth | 4.6 | 0.35 | 1.24 | 0.78 | 1.25 | .50 | .50 | 10¼ | 3 | 14⅞ | 3½ | 20⅛ | 9¼ | 13½ | 11 |
| Webster Tobacco | 1.9 | 0.04 | 1.01 | 0.87 | 2.01 | Nil | Nil | 4¼ | 1¼ | 16⅜ | 1¾ | 16¾ | 9½ | 12¾ | 9½ |
| Willys | 2.0 | d0.47Se | 1.16Se | 1.14Se | 0.08Se | Nil | Nil | 3½ | 1 | 26¼ | 1⅜ | 26¾ | 9 | 13½ | 9⅛ |
| Wilson | 3.6 | 0.78Oc | 2.54Oc | 1.64Oc | 3.43Oc | NIl | .80 | 7⅞ | 2⅞ | 19⅞ | 3⅝ | 21 | 12⅛ | 15¾ | 13¼ |
| Zonite Products | 3.2 | 0.11 | 0.57 | 0.82 | 0.75Se9 | .50 | .60 | 5¾ | 1⅜ | 12¾ | 1½ | 14¾ | 9 | 10⅜ | 9⅛ |

A—Adjusted NF—Not furnished. K—On combined stocks. P—On participating shares.
B—Period 5/17/46 to 10/31/46. E—40 weeks to Oct. 26, 1946.

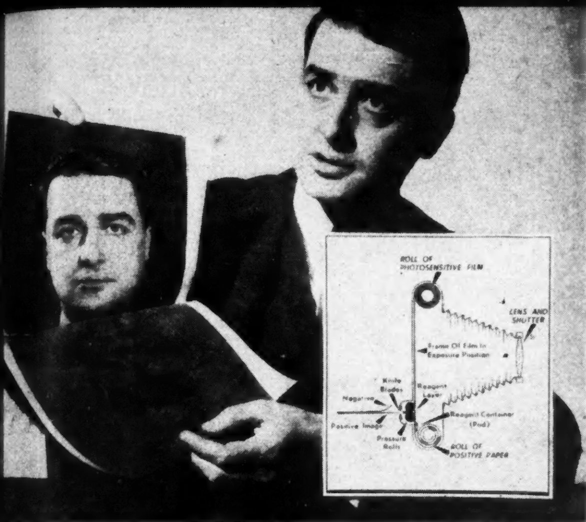



*Photo by Press Assoc.*

**ne minute from snap to picture with Polaroid's new camera.**

# *Photographic Companies* IN NEW ERA

By STANLEY DEVLIN

WITH AMPLE SPENDING MONEY at its disposal, the public is clicking cameras as never before, for in nearly every family in the land the snap shot album has become almost as much of a fixture as the bible. "Candids" of the family and friends from birth to old age, never to be forgotten scenes, are being registered daily in an increasing flood. Motion pictures and color photography, both at home and in the movies, are expanding their allure. With better equipment, new processes and a wide range of expense, the amateur in every income bracket can now test his skill with everything from a miniature snap to an exhibition picture. In the semi-professional and professional fields, too, both stills and movies have been given new standards of perfection. All of which enhances the outlook for leading producers of cameras and photographic supplies.

This industry, however, is over sensitive to major swings in national prosperity, for sales and net earnings tend to drop sharply during periods when unemployment becomes extensive. Secular (long term) growth, on the other hand, has been strongly characteristic, becoming rather rapidly expressive during recovery years; thus an impressively stable dividend record has been achieved by the outstanding factor in the industry, Eastman Kodak Company, although partially accounted for by its diversified output in other fields such as plastics. Next largest in the industry is General Aniline & Film Corporation, which additionally does a substantial business in dyes. In point of sales, Bell and Howell, specialists in moving picture equipment, probably rate third. Aside from these, a number of concerns compete for the photographer's dollars, some with cameras of special design and others with a wide variety of projectors, developing equipment and film. When it comes to this latter item, du Pont counts heavily, as might be expected. Consult any photographic magazine and a bewildering array of suppliers will be found advertising everything from cameras to chemicals, enlargers to light recorders, flash lamps to films.

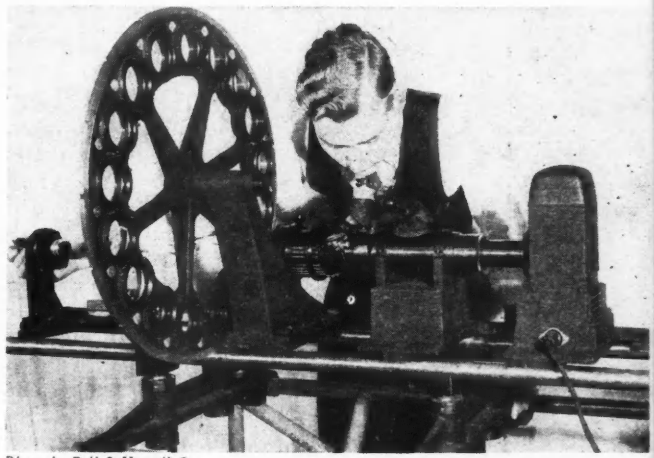


*Photo by Bell & Howell Co.*

**The Auto-Collimator test insures sharply focused pictures.**

Chief expense in manufacturing a camera centers in the lens, and in this special field several American manufacturers have stolen a march on the Germans during war years. Although for decades past, the reputation of German made lenses was acknowledged supreme all over the world, since Pearl Harbor several of our domestic concerns, including Bausch & Lomb, have now taken away the laurels and are likely to keep them for a long time to come. But in discussing the photographic industry, few of these lens makers rationally should be taken into more than casual account, for their business is preponderantly in the optical category, important as they may rate as parts suppliers to the camera producers. Under current conditions, domestic lens makers can supply anything from the lowest priced device to one which will help photograph a star so distant that its light must register with a hundred thousand times the efficiency possible with the human eye. Hence American cameras of complete domestic make are now unexcelled in the global arena, whether for amateur, professional or military use.

### Eastman Kodak Company

On an appended table we have listed half a dozen concerns among many in a sizable industry. Up to date comparisons are difficult because a number of them have delayed issuing reports for the full year 1946. In other respects, too, the various

Steadiness Indicator accurately tests motion picture projectors.

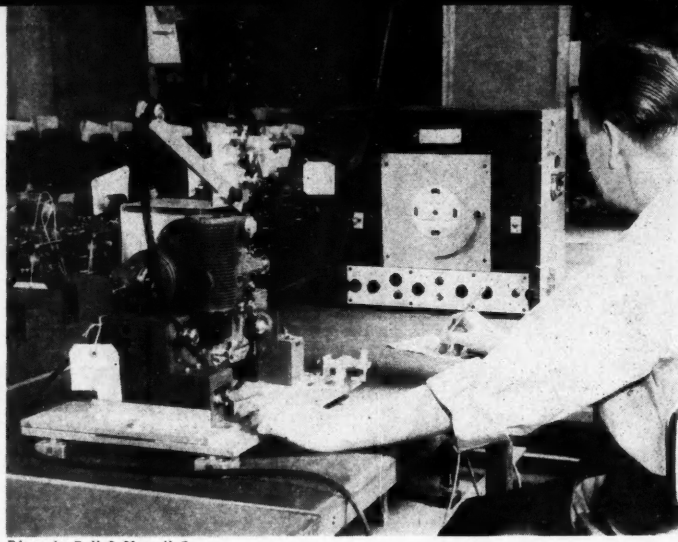


*Photo by Bell & Howell Co.*

businesses are so diversified that no breakdown is possible to unscramble the photographic end by itself. With such data as is available, though, we can discuss the individual situations briefly; we will start with Eastman Kodak. This concern dominates the field by a wide margin, for many years past steadily building up its business all over the world. Combined advantages from a strong patent position, unexcelled reputation and an aggressive management have enabled the company to earn a total of more than $704 million dollars since 1902, of which about $512 million have been distributed to shareholders of preferred and common stock. In no year during this long period did the company fail to show a net profit or to pay dividends on its equity shares. Photographic equipment and supplies of every kind are included in the production schedules. During war years Eastman Kodak directed its entire attention to production of items essential to military purposes, but by spring of last year had fully reconverted and was well on the way for an expansion program involving outlays of some $80 million. In recent years Eastman has gone in heavily for production of products using cellulose acetate as a base, through a completely owned subsidiary, Tennessee Eastman Corporation. Rayon yarns and staple fibers, as well as plastic moulding material, made by Tennessee, have contributed substantially to the sales and profits reported by the parent concern, although to just what extent has not been revealed.

Volume and net earnings of Eastman last year were by far the best of any peacetime year in its history, and during 1947 output will expand from new facilities for which $44 million were spent last year alone more than half of which went for Tennessee Eastman. 1946 sales topped $274 million, not far below the wartime peak of $303 million and compared with $130 million in 1940. In reporting net earnings for last year of $35.6 million, equal to $14.26 per share, the company pointed out that had it not been for non-recurring tax reductions the showing would have been $12.67. Despite heavy outlays for plant expansion, working capital at the end of 1946 stood at $114.8 million, which combined with 1947 prospective earnings should be ample for all purposes, including $40 million for further expansion. Profit margins have shown a rather steady downtrend since 1941, when the figure stood at 28.5%. In 1946 this percentage was reduced to 18.2, because of mounting costs, but recent price boosts may tend to reverse the trend henceforth, provided sales expand as expected. If general prosperity continues to reign in the economy, the outlook for Eastman seems bright. The shares enjoy a distinct investment status, and when their market is broadened after the proposed 5 for 1 split and a recent price around 134 is reduced to a ratable level of under 50, there should be room for eventual appreciation. And for a stock of this high class a yield of better than 3% is not far out of line.

### General Aniline & Film Corporation

No discussion of the photographic industry is possible without comments on this, the second ranking factor in the field. Prior to the war, the company was controlled by the German I.G. Farbenindustrie, but in 1942 it was seized by the Alien Enemy Custodian, where control still rests, although the management is now 100% American. The only stock yet traded in consists of about 527,000 shares of Class A common, with transactions handled on an "over the counter" (*Please turn to page 757*)

**Photographic Industry Data**

| | Sales (000 omitted) 1939 | 1945 | 1946 | Net Per Common Share 1939 | 1945 | 1946 | Current Dividend | Recent Price | Dividend Yield | Price-Earnings Ratio |
|---|---|---|---|---|---|---|---|---|---|---|
| Argus, Inc. | $ 1,945 | $ 10,116 | $ 4,406 | $ .10 | $ .79 | $ .05 | Nil | $7 | ........ | 140.0 |
| Bell & Howell Co. | 4,880 | 21,931 | 12,000E | 1.17 | 1.35 | 1.08Ap12 | $ .5[illegible] | 20 | 2.5% | 18.6 |
| Eastman Kodak Co. | 123,834 | 301,501 | 274,703 | 8.26 | 13.06 | 14.26 | 7.[illegible] | 237 | 3.1 | 16.6 |
| Fairchild Camera & Inst. | 2,003 | 20,841 | 4,177Se9 | 1.25 | 1.38 | def.26Se9 | [illegible] | 9 | 5.5 | 6.5 |
| General Aniline & Film "A" | 28,061 | 68,658 | 31,794Je6 | 5.38 | 5.32 | 3.39Je6 | 2.50 | 95 | 2.6 | 17,8 |
| Polaroid Corp. | 761 | 16,752 | 4,366 | def.11 | 1.00 | def.98 | Nil | 50 | .... | ...... |

* 12 months-to-date. E—Estimated. Ap12—For 12 months ended April 30. Je6—For 6 months ended June 30.

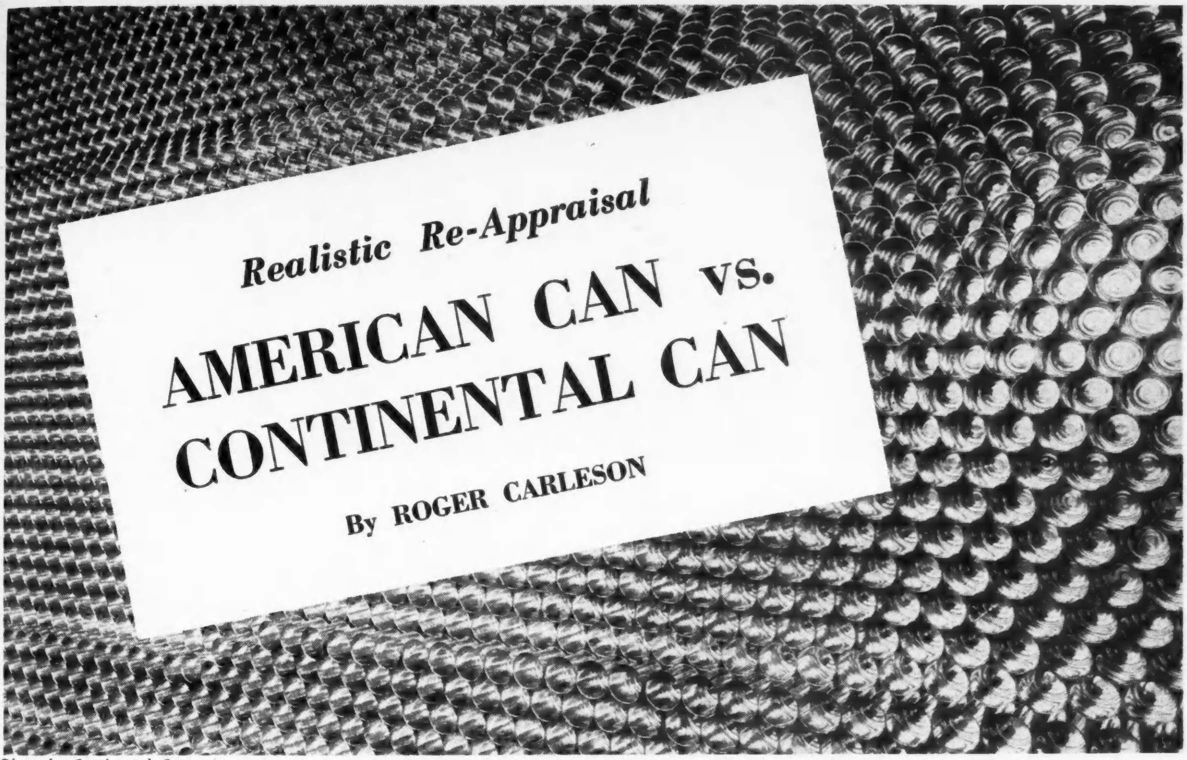



*Photo by Continental Can*

**Tin container production is increasing rapidly. By summer, cans should be able to return to the competitive battle with glass containers which enjoyed war born advantages**

WHILE THEY DO NOT occupy completely happy operating, nor easy raw material situations, the two largest canning companies finally are able to place the adverse wartime conditions as far in the background as are other American industrial companies. The war period and the first full postwar year were pretty tough from the profit viewpoint; but this changed with the close of 1946 as government restrictions were largely removed and contracts terminated, allowing price increases to offset higher costs. Due to the long-term nature of contracts, most price adjustments could not begin to be made until 1947.

### Major Change in Outlook

The tin plate supply position has not changed materially for the better as yet due to the shortage of sheet steel capacity available for production of adequate quantities of tin plate; but the outlook is promising as the summer months should witness increases in capacity. In the war years, due to the shortage, first of tin and then of tin plate, production was restricted. (The former was partially corrected by imports of Bolivian and Belgian Congo tin and construction with U. S. Government funds of the Longhorn smelter in Corpus Christie, Texas.) The largest portion of tin production requires the use of dredges, the tremendous size of which was indicated by a recent news item, "Longest Towing Job," the first of two dredges built at a cost of $2,000,000 each is being towed 13,000 miles from Tampa, Fla. to the Netherlands East Indies. The dredges will be used in connection with rehabilitation of mines wrecked by the Japs.

The glass container industry, therefore improved its competitive position through gains while can production declined. Tin container output is now increasing rapidly, and later this year, when tin plate capacity becomes available, it doubtless will gain considerably further. The tin supply is short at the moment; but development of the electrolytic tin plating process, begun in 1943, has allowed reduction in tin requirements to ½ pound per base box from 1½ pounds per base box used previously. In 1946, preliminary figures show, production by this method increased to 892,941 tons from 873,470 tons in 1945, while production by the hot dipped process decreased to 1,810,236 tons from 1,954,013 tons in 1945. It is fortunate that contract price adjustments can be made in 1947 and next year as wage rates increased 18½% after the steel strike early in 1946. Thus, higher wages were paid without price increases.

Although tin plate, utilizing tin at the rate of ½ pound per base box can be used for canning of the majority of products, it is not suitable for acid foods or milk. However, an increased use of tin to ¾ pounds per base box is planned which will further increase production of the less expensive tin plate in place of that produced by the hop-dipped method.

### Trend Toward Diversification

Both companies enjoy diversification from the viewpoint of type of products that are put up in cans; but American began importantly to manufacture the fibre can in the 1910-1920 decade of its long history,—dating back to 1901. While this is a minor part of production it has been helpful in times of acute tin shortage. The fiber container has various forms and applications; a typical example is the fibre salt package with its metal pouring spout to replace the now almost-forgotten white cloth bag. Canco fibre milk container was another development which was introduced in 1934 and has grown to more than a billion units annually. It recognized the need for a one-trip container and produces one in shape, structure and material that effects new economies in refrigeration, storage and weight, and has earned its way in offsetting cost in comparison with containers used many times without replacement. The tremendous scope of the tin canning business renders products other than tin relatively small. The company has, for example, only two of its 67 factories and machine shops completely engaged in producing fibre cans and packages.

Continental Can has expanded into the paper and fibre container field through acquisitions of established companies as part of its expansion program inaugurated in 1942 and accelerated in 1943 and 1944. Also, it enlarged the paper division by building new plants. It entered the fibre drum business by acquisition, late in 1942, of The Container Co. of Van Wert, Ohio, manufacturer of large fibre drums for chemical and other products, non-competitive with metal containers. In that year, it acquired Boothby Fibre Co. of Boston (paper containers) and the paper can facilities of the Utica, N. Y. plant of Fonda Container Co. Further paper container manufacturers, acquired in 1944, included Keystone Drum Co.—fibre drums and Mono Service Co., Newark, N. J.—original firm in the paper cup field. In the same year an important purchase was the Reynolds Plastic Division of the Reynolds Spring Co., with a plant producing molded plastics at Cambridge, Ohio. The company, together with Vulcan Detinning Co. (in which interest of over 44% of the preferred and common stock is held) has a substantial interest in Marco Chemicals, Inc. which is in the forefront of plastics developments. The most recent acquisition through exchange of stock, and one of the largest, was the Hummel-Ross Fibre Corp. under a plan, approved February 4, 1947 by the latter company's shareholders under which Continental will exchange 293,779 of its common shares for the outstanding 391,706 shares of Hummel-Ross Fibre, producer of Kraft linerboard that is used in the manufacture of fibre drums and barrels in the plants of The Container Co. another principal subsidiary.

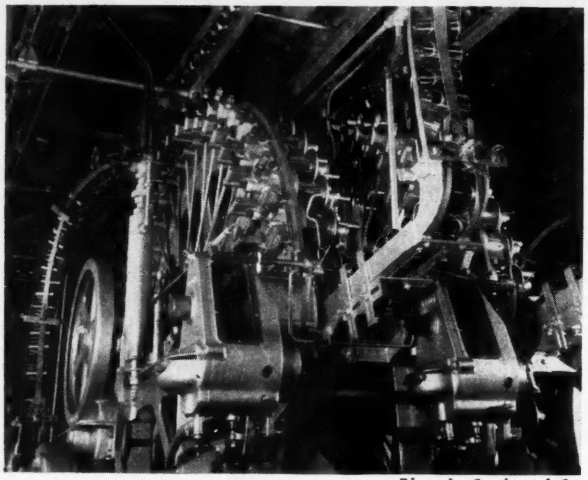


*Photo by Continental Can*

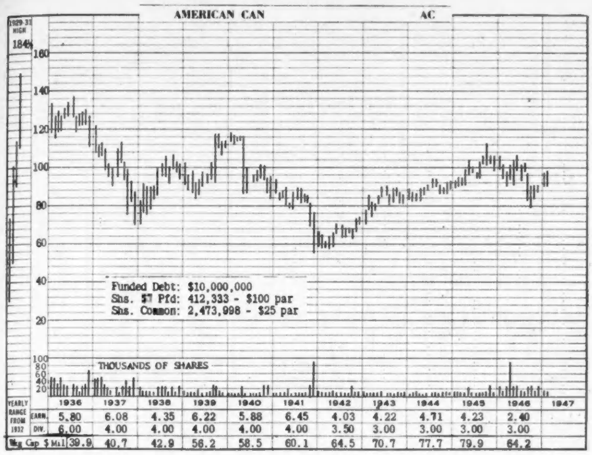
**Tin cans are subjected to air pressure test to insure against possibility of leaks**

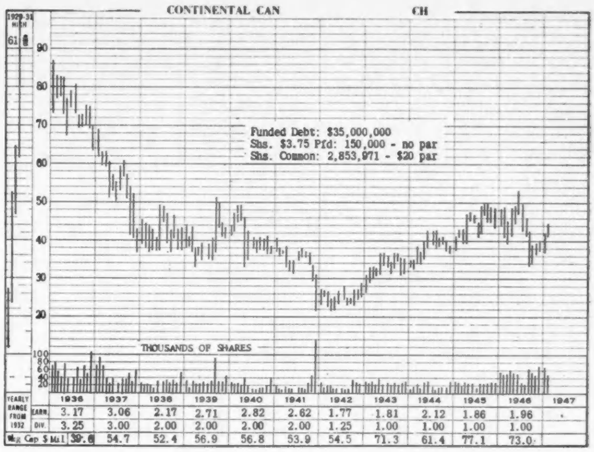
***American Can***

| | December 31 | | |
|---|---|---|---|
| | 1940 | 1945 | 1946 |
| ASSETS | | (000 omitted) | |
| Cash | $ 16,661 | $ 19,299 | $ 23,436 |
| Marketable securities | ........ | 20,373 | 5,750 |
| Receivables, net | 15,953 | 14,332 | 12,642 |
| Inventories | 49,207 | 56,743 | 51,882 |
| Gov't. adv., contra. | ........ | 5,463 | ............ |
| TOTAL CURRENT ASSETS | 81,821 | 116,210 | 93,710 |
| Plant and equipment | 183,382 | 211,850 | 234,220 |
| Less depreciation | 70,256 | 100,571 | 106,646 |
| Net property | 113,126 | 111,279 | 127,574 |
| Other assets | 3,486 | 4,327 | 4,585 |
| TOTAL ASSETS | $198,433 | $231,816 | $225,869 |
| LIABILITIES | | | |
| Accts. payable and accruals | $ 13,307 | $ 18,643 | $ 24,260 |
| Reserve for taxes | 9,940 | 12,175 | 5,261 |
| Due Govt. contra | ........ | 5,463 | ............ |
| TOTAL CURRENT LIABILITIES | 23,247 | 36,281 | 29,521 |
| Long term debt | 10,000 | 10,000 | 10,000 |
| Reserves | 7,188 | 8,301 | 8,632 |
| PFD. Stock | 41,233 | 41,233 | 41,233 |
| Common Stock | 61,850 | 61,850 | 61,850 |
| Surplus | 54,915 | 74,151 | 74,633 |
| TOTAL LIABILITIES | $198,433 | $231,816 | $225,869 |
| WORKING CAPITAL | $ 58,574 | $ 79,929 | $ 64,189 |
| Current Ratio | 3.5 | 3.2 | 3.2 |

### Expansion and Acquisition Have Enlarged Continental

Continental has further strengthened its position in the field of metal containers through acquisition, in 1944 of Owens-Illinois Can Co., which manufactures a number of lines of metal containers not previously made by the parent company. Construction was started at the close of 1945 of a modern can plant at Sacramento, Cal. In 1946, arrangements were made with the New York Life Insurance Co. for financing in the amount of $10,000,000. The insurance company will purchase, at cost, land and buildings that Continental Can may acquire for plants and in turn lease them to Continental for a long term of years. The new Sacramento plant building, transferred in December 1946, was the first property to come under the terms of this agreement. Thus, enlargement of the company's plant account last year does not tell the full story




of the company's growth. It will be reflected in greater sales this year from both the new plant and plants of acquired companies. Although sales of Continental have not attained the volume of American Can, the company has more plants than its big competitor and a larger number that are engaged in paper container manufacture. In its expansion drive which has involved a considerable degree of diversification, Continental more than doubled its sales from $101 million in 1940 to nearly $213 million in 1946, while sales of American Can increased only 30% in the same period to $258 million. The sales record would not be up to date unless it is stated that in 1946 those of Continental increased less than 3½% and of American Can 6½%.

### Financial Strength Assured

Two factors appear sufficient to attest to the very strong financial condition of Continental Can. (1) Study of the accompanying balance sheets reveals that cash and marketable securities (U. S. governments, at cost) are in excess of total current liabilities. While inventories comparatively are somewhat high, this apparently was due to the diversification program. At any rate the company charged against earnings last year, $1,200,000 for inventory price decline or other contingencies. (2) The high credit standing is demonstrated by the market in the preferred stock around 107, yielding 3½%.

Earnings declined in the war period for reasons previously indicated. Moreover, the recovery in 1944 was not sustained in 1945. In addition to the effects upon earnings of long-term contracts, consolidation of acquired companies normally reduces earnings. Accordingly, it is gratifying that earnings increased to $1.96 last year from $1.65 reported for the 12 months ended September 30, 1946. Depreciation and depletion charges are considered to be conservative.

The financial condition of American Can leaves little to be desired from the viewpoint of strength. Further gratification may be gained from the fact that the interest rate on the $10,000,000 debentures, due 1951 (sold to the First National Bank in 1939 at 2¾%) was reduced to 2% in 1941 and 1⅝% in February 1946. The earnings record of American Can was not too favorable last year; but over the prewar years it was marked by stability and a fair growth trend, the latter shown by the upward trend from 1938 through 1941. Dividend return is now more satisfactory in a holding of American Can common than of Continental Can. However the balance of factors appear to favor Continental for investment funds.

After the trying war period and increased costs last year against which prices to customers could not be fully adjusted, the canning companies now face some very promising years. Lifting of all government restrictions in December 1946 on products and quantities of products that may be packed in metal cans has however, placed upon can manufacturers the necessity to allocate production among their clients. Demand is no less than tremendous and the industry looks forward to the time, expected to be later this year, when sufficient steel capacity is available to adequately satisfy the increasing call for packing in metal containers.

***Continental Can***

| | 1940 | December 31 1945 (000 omitted) | 1946 |
|---|---|---|---|
| ASSETS | | | |
| Cash | $ 10,176 | $ 10,760 | $ 11,535 |
| Marketable securities | ....... | 10,115 | 10,025 |
| Receivables, net | 20,052 | 21,205 | 14,525 |
| Inventories | 35,019 | 53,803 | 56,874 |
| Tax claim | ....... | ....... | 1,200 |
| TOTAL CURRENT ASSETS | 65,247 | 95,883 | 94,159 |
| Plant and equipment | 84,024 | 118,840 | 132,476 |
| Less depreciatian | 27,358 | 44,934 | 50,494 |
| Net property | 56,666 | 73,906 | 81,982 |
| Other assets | 8,573 | 7,878 | 7,713 |
| TOTAL ASSETS | $130,486 | $177,667 | $183,854 |
| LIABILITIES | | | |
| Debentures payable | ....... | $ 718 | $ 718 |
| Accts. payable and accruals | $ 4,208 | 11,051 | 14,966 |
| Reserve for taxes | 4,023 | 6,984 | 5,449 |
| Other current liabilities | 175 | ....... | ....... |
| TOTAL CURRENT LIABILITIES | 8,406 | 18,753 | 21,133 |
| Premium on sales of Debentures | 719 | 656 | 617 |
| Long term debt | 21,000 | 34,300 | 33,600 |
| Reserves | 3,882 | 8,323 | 9,969 |
| Pfd. Stock | 20,000 | 15,000 | 15,000 |
| Common Stock | 57,079 | 57,157 | 57,249 |
| Surplus | 19,400 | 43,478 | 46,286 |
| TOTAL LIABILITIES | $130,486 | $177,667 | $183,854 |
| WORKING CAPITAL | $ 56,841 | $ 77,130 | $ 73,026 |
| Current Ratio | 7.7 | 5.1 | 4.4 |

# Opportunities...

### *for Income and Price Appreciation*

# IN BONDS And PREFERRED STOCKS

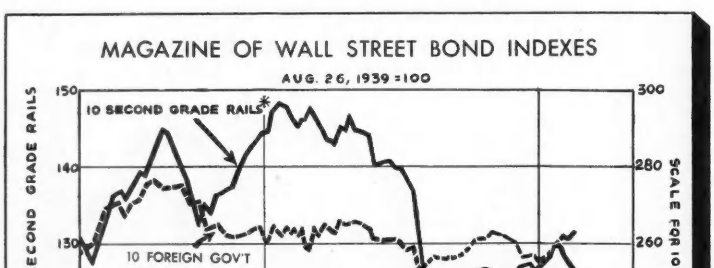
**By JACKSON D. NORWOOD**

THE MAGAZINE OF WALL STREET's Index of Bond Prices showed the following changes for the period indicated:

| | On Mar. 1 | On Mar. 15 | |
|---|---|---|---|
| 40 Domestic Corporates | 117.4 | 116.8 | — .6 |
| 10 High Grade Rails | 113.9 | 113.6 | — .3 |
| 10 Second Grade Rails | 253.7 | 248.5 | —5.3 |
| 10 High Grade Utilities | 98.7 | 98.7 | .0 |
| 10 High Grade Industrial | 100.7 | 100.7 | .0 |
| 10 Foreign Governments | 131.0 | 131.8 | + .8 |

Except for Second Grade Rails, few changes in price worthy of comment occurred during the period under review. The speculative downward pressure on stocks, caused by uncertainties in the foreign field in recent weeks, was quite naturally reflected by a corresponding dip in the secondary rail bonds. Ever since the first of the year when dismal railroad reports for 1946 began to pour in, and rail managements predicted further poor earnings in the offing, unless freight and passenger rates were raised, enthusiasm for the Second Grades has been decidedly lacking.

For example, with New York, New Haven & Hartford officials out with estimates that a 1947 deficit of $7.1 million was in sight, this road's debenture 4s of 1957 have sunk to a level around 17 against a high of about 50 in 1946. And even since the beginning of the current year M.K.&T. adjustment 5s due 1967 have slid off from a level of 82½ down to 71½. Bonds such as these appear to be kicked around like so many footballs by the speculative element and in a thin market such as now prevails fluctuate widely in line with the current news. Many of our readers may not realize that although weekly transactions in bonds on the New York Stock Exchange of late have been running at a level of around $18 million, offhand a substantial sum, this is only a drop in the bucket compared with the good old days. Indeed, one would look back for many decades to find a time when trading in bonds was as dull and limited as under present day conditions. Just prior to the outbreak of war, more than $200 million bonds changed hands in a week on the Big Board, and frequently during hostilities daily transactions totaled more than a current showing for a week. Large institutional investors loaded with surplus funds not only are holding on tight to former pur-



chases of better grade issues but are avidly grabbing the scant offerings of new issues as soon as they appear, often times absorbing entire issues which may never appear on the public markets at all. Hence private investors desirous of fortifying their portfolios with a portion of good sound bonds find a very limited supply from which to buy, and at that can expect a yield no better than that acceptable by the most conservative big institutions.

During the major decline in stock prices which has occurred since last May, some of the convertible preferreds with prices more or less attuned to those of their equities have softened in price, too, and are currently obtainable at prices rather closely based upon straight investment yields rather than on the conversion factor. In some instances the conversion privilege may now seem even far fetched in its potentials, although in others a possible return of a genuine bull market over the medium or longer term adds to opportunities for appreciation if an investor has a good stock of patience. As an investment in selected convertible preferreds may either provide a sound outlet for funds, where bonds seem to be too unfruitful, and with yields somewhat higher than obtainable a year ago, or in other cases furnish better speculative opportunities, we will discuss a few issues with merits of both kinds.

*Attractive Convertible Preferreds*

| | Recent Price | Call Price | Current Yield |
|---|---|---|---|
| Allis Chalmers $3.25 | $95 | $103 | 3.4% |
| American Woolen $4.00 | 88 | 105* | 4.5 |
| Atlas Powder $4.00 | 120 | 114** | 3.3 |
| Beatrice Foods $3.37½ | 105 | 106 | 3.2 |
| Beneficial Ind'l Loan $3.25 | 101 | 107 | 3.2 |
| Carrier $2.00 | 38 | 53 | 5.3 |
| Commercial Credit $3.60 | 109 | 106† | 3.3 |
| Electric Boat $2.00 | 37 | 52½ | 5.4 |
| General Mills $3.37½ | 118 | 104 | 2.8 |
| Gillette $5.00 | 106 | 105 | 4.7 |
| Houdaille-Hershey $2.25 | 51 | 52½ | 4.4 |
| Johns-Manville $3.50 | 120 | 104 | 2.9 |
| Minn-Honeywell $3.20 | 112 | 110 | 2.8 |
| Oliver $4.50 | 105 | 104 | 4.3 |
| Pure Oil $5.00 | 108 | 105 | 4.6 |
| Thatcher Glass $2.40 | 56 | 60 | 4.3 |
| Thermoid $2.50 | 54 | 57½ | 4.6 |
| Wheeling Steel $5.00 | 100 | 105 | 5.0 |
| Worthington Pump $4.50 | 96 | 100 | 4.7 |

* Callable on and after September 1, 1951.
**At 113 from August 1, 1947 to August 1, 1948.
† Beginning October 1, 1948.

**PRESSED STEEL CAR COMPANY, INC.**, issued in 1946, 85,955 shares cumulative conv. 4½% preferred stock, par $50, the bulk of which was subscribed for by common stockholders at 50 per share. At recent price around 39 these shares yield 5.7%, a not unattractive basis, all things considered. This third largest producer of steel freight cars, to be sure, experienced tough sledding during the first three quarters of 1946, due mostly to steel shortages and strikes, and with net earnings falling short of preferred dividends for the period to the extent of $6.81 per share. Despite this poor showing, the dividend has been paid regularly and prospects for 1947 are all on the bright side. On a volume of about $30 million in 1945, after payment of $2.5 million Excess Profits Taxes, the company earned an equivalent of $10.79 per share on its preferred, against annual needs of $2.25. As long ago as last summer it was reported that backlog orders equal to the full 1945 volume had piled up and for several years to come it looks as if the car builders would have their hands full with good business. Rated capacity of Pressed Steel Car, including its acquisition of Mount Vernon Car Mfg. Co. last summer, is well over 25,000 freight cars annually. While the business is characteristically cyclical and deficits occurred during the early 1930s and again in 1938-39, in other years the company has earned a comfortable margin over preferred dividends for nearly 30 years past. This senior issue is redeemable at $52.50 per share and convertible into 2 shares of common until January 1, 1956. When the common in last year's bull market soared to around 30, the preferred sold at a peak of 63½, but a recent price of 13 for the equity has temporarily, at least, minimized the value of the conversion privilege. While it will be recognized that the preferred does not rate as a prime investment issue, it has its good points, including an above average yield, and in time could develop once more interesting appreciation potentials.

**UNITED AIR LINES, INC.** has recently financed itself very successfully through the medium of a 4½% cumulative and convertible preferred stock. Subscriptions by common shareholders absorbed all but a minor portion of an offering of 94,773 shares at $100 per share, and since the books were closed the price has risen steadily to around 110. At this level the yield is just over 4%. The shares are redeemable at 107.50 and accrued dividends until January 1, 1949, at 105 during the next 3 years, 102½ between 1952 and 1957 and at 101 thereafter. Prior to 1957 the preferred shares (par value $100) are convertible into 4 shares of common, recently selling around 23, and protected against future dilution of the equity issue. As the price of the common shares at one time last year topped 54, it can be envisaged that the convertible preferred carries considerable speculative appeal aside from the income it produces, although it is already selling above its call price. United Air Lines last year, in marked contrast to most of its competitors, fared rather well as to net earnings, judging from reports of $1.08 million net achieved, thus covering the preferred dividend more than twice over. But compared with $4.3 million earned in 1945, the showing was not too bright. It seems that while revenues gained by 65%, operating expenses expanded to the (*Please turn to page* 758)

# FOR PROFIT AND INCOME

### Whither?

Up to this writing it can be said that the latest market downswing halted, in the nick of time, at just the right place by a margin of fractions in both the industrial and rail averages. Which is to say that in neither were the mid-January reaction lows broken. Whether that will still be so by the time you read this column is something we cannot guess. As long as the last previous support levels are not broken by both averages, there is a sporting chance that the intermediate recovery will be resumed. Should it work out that way, with both averages eventually bettering their February rally highs, a new bull market would definitely be signalled. On the other hand, violation of the January lows could be interpreted only as implying an intermediate decline, leaving the all-important bear-market lows of last autumn still to be tested. If the latter are broken, the bear trend will be in effect again, with final destination anybody's guess. As long as they are not broken, bulls can hope and bears must keep their fingers crossed. Such is the way market possibilities shape up under Dow theory, which is simply a way of using trend reference points something like irregularly placed signposts on a road. There are more sensitive methods, but the old Dow theory has its points—especially for the few skilled enough and flexible enough to anticipate it with fair success, without waiting for the major signals. These would not buy now. They would buy, given several weeks of extreme dullness above the previous lows, followed by any firming tendency. They would sell out if the market failed to better the February highs and then began to zig-zag down again, otherwise holding for a possible major long-term play. Now you know all about the market "weather".

### Low Confidence

The outlook for oil company earnings this year was already very good, as we have noted here before. Now it is even better as a result of the boost of another 25 cents a barrel in the average price of crude oil, effective throughout the industry excepting for portions of the West Coast area. This puts crude at the highest level since 1926, when it got as high as $2.13 a barrel against $1.95 now. Allowing for a proportionate rise in refined products, and continuing strong demand, the 1947 earnings of crude producers and integrated companies will probably average around a fourth larger than the record figures of last year. That oil stocks have not responded signifies that investors by and large have scant confidence in the continuation of boom earnings for a really extended period in any line. In relation to prevailing earnings, the leading stocks are priced much more cheaply than at any time within the prewar period 1936-1939, including the depth of the 1937-1938 bear market. It is this column's belief that the earnings will

**INCREASES SHOWN IN RECENT EARNINGS REPORTS**

| | | Latest Period | Year Ago |
|---|---|---|---|
| Abbott Laboratories | Year Dec. 31 | $5.75 | $1.79 |
| American Cyanamid | Year Dec. 31 | 2.92 | 2.02 |
| Corning Glass Works | Year Dec. 31 | 1.00 | .86 |
| Distillers Corp.-Seagrams, Ltd. | 6 mos. Jan. 31 | 3.59 | 1.47 |
| General Foods | Year Dec. 31 | 3.25 | 2.36 |
| Ingersoll Rand | Year Dec. 31 | 9.28 | 6.04 |
| International Business Machines | Year Dec. 31 | 13.10 | 9.51 |
| International Silver | Year Dec. 31 | 9.20 | 2.54 |
| North American Company | Year Dec. 31 | 2.55 | 1.70 |
| Philadelphia & Reading Coal & Iron | Year Dec. 31 | 3.84 | 1.03 |

stay on a high plateau well beyond this year, and probably for at least several years, regardless of any general business adjustment. Perhaps investors will come around to this view in time. For the present, market action says there is probably no need for any hurry in buying oils, or anything else, regardless of how sound are the real values apparently offered. An unconfident market cannot get very far on the upside.

**Discounting**

In recent years the market has seemed to move more with the news, if not at times after the news, than it did in earlier times when bull markets ran most of their course while business was still poor and bear markets were far ahead of any downswing in earnings. We now begin to wonder whether the market may not be getting back to the old habits —that is, doing a more intelligent job of forecasting and discounting in advance. There is some tentative evidence which seemingly points that way. For example, the bull-market high is now nearly ten months behind, with business still booming. If economic activity and commodity price turn down some time in the second half year, the market will have signalled that change further in advance than on any previous occasion in some decades, proving even more strongly that market action itself is a more reliable guide than any amount of abstract economic diagnosis can ever hope to be.

**Another Straw**

Another example of intelligent market discounting begins to be apparent in the retail trade stocks. These issues topped out last year well in advance of the general list. Month after month they ignored the sensational trade figures and unprecedented earnings. But in recent weeks many of these stocks have shown above-average support, comfortably above their previous lows, in the face of dollar trade totals barely higher than a year ago and widespread knowledge that profit margins in most cases will be considerably lower this year. Professional analysts have begun to swing back tentatively to a more favorable view of the group, partly on the basis of market resistance—although a more conclusive test over a longer interval could well be demanded by conservative buyers—partly on the reasoning that selected issues look low even with full allowance for any probable shrinkage in profits over the next year or two.

**Case in Point**

Allied Stores may be cited as an individual case in point, inviting at least thoughtful consideration. The stock made its bear-market low in mid-January, well after the general list, but rallied over 25% (aided by inauguration of a $3 dividend rate) and held the bulk of its recovery through the recent market slide. For over a month, its action has been better than the market. On sales of $361 million for the fiscal year ended January 31 the company earned over $9 a share. Around 38, the stock discounts the coming disappearance of much of those earnings. Sales could drop by one-third ($120 million) and profit margin could slide to 6%, from about 10% last year, and still leave net of around $4 a share, adequately covering the dividend. It would take a real depression, rather than a corrective business and price recession, to do that. Normal earnings in the vicinity of $5 seem more likely over the next several years. The stock is reasonably priced even if earnings were only $4.

**Perspective**

We do not offer the above reasoning on Allied Stores as an argument for current purchases. Perhaps there will be plenty of time to consider it, or other well-situated consumer-goods stocks. But we are more inclined to look around for long-term buys in such stocks than in heavy-industry issues. They are relatively more deflated than the latter. Moreover, retailing and many other consumer-goods lines have always been fundamentally "better business" and more stable than mining copper or making steel, machinery, locomotives, automobiles, etc.

**Schenley**

This writer does not know whether the long and deep slide in Schenley is over, or about over. Its chart pattern looks tentatively that way. Like Allied Stores, this is another case of hugely abnormal earnings being worth practically nothing in the market — another case of the whole question being what normal, or average long-term, earnings might be in future. There is no way of getting at it specifically. They will surely be well under the $13.58 a share earned in the last fiscal year, and which is likely to be pretty nearly matched in the current year. But they will not be as low as the $1.76 a share netted in a prewar year like 1937. There will be a new and higher postwar "normal" for all aggressive, well - managed enterprises. As a whiskey distiller, Schenley is much stronger than it

*(Please turn to page 760)*

**DECLINES SHOWN IN RECENT EARNINGS REPORTS**

| | | Latest Period | Year Ago |
|---|---|---|---|
| Climax Molybdenum | Year Dec. 31 | $1.01 | $2.84 |
| Houdaille-Hershey | Year Dec. 31 | 1.35 | 1.44 |
| International Cigar Machinery | Year Dec. 31 | 1.48 | 1.70 |
| Remington Arms | Year Dec. 31 | .28 | .33 |
| Safety Car Heating & Lighting | Year Dec. 31 | 4.08 | 5.60 |
| Studebaker | Year Dec. 31 | .40 | 1.39 |
| Transamerica | Year Dec. 31 | 1.57 | 1.85 |
| United Air Lines | Year Dec. 31 | .54 | 2.34 |
| Wilcox Oil | Year Dec. 31 | .81 | 1.15 |
| Yale & Towne Manufacturing | Year Dec. 31 | 2.12 | 3.30 |

# Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

### Container Corporation of America

*Please furnish report on Container Corporation of America.*
*G. J. F., Brooklyn, N. Y.*

Net profit of Container Corporation and its subsidiaries rose sharply in 1946 to $7,165,561 after all charges, including $5,370,000 provision for taxes and $600,000 for inventory and contingency reserve. The profit is equal to $7.23 a share on the 990,474 capital shares outstanding and is in contrast to the $2,026,103, or $2.59 a share on 781,253 shares outstanding, earned in 1945 when $300,000 was provided for a similar reserve and $6,690,000 for taxes.

Net sales in 1946 increased to $91,090,286 from the previous year's volume of $74,138,191 and $69,641,096 in 1944.

Net working capital on Dec. 31, 1946 increased to $13,080,298 from $9,077,714 a year earlier.

At annual meeting on April 9, stockholders will be asked to approve an increase in authorized common stock from 1,000,000 to 1,500,000 shares. Directors will recommend at the meeting that shareholders approve an authorization to create a new preferred issue with a par value of $10,000,000. It is contemplated that this stock will be sold in the near future, with the proceeds to be used as the needs arise.

Company is the leader in the paperboard products field. It manufactures and sells linerboard, boxboard, corrugated shipping containers, folding cartons and paperboard cans. A kraft pulp mill is operated in Florida; in addition seven other mills in various sections of the country engage in converting waste paper and strawboard. Dividend payments, including extras, totaled $3.40 a share in 1946.

Operations are expected to continue at a favorable rate in 1947.

### Bigelow-Sanford Carpet Co.

*I own 100 shares of Bigelow-Sanford common stock. Please advise prospects for company and whether I should hold on or sell the issue.*
*L. M., Macon, Ga.*

Bigelow-Sanford is the largest rug and carpet manufacturer in the country; is also engaged in the spinning and dyeing of the worsted, woolen and cotton yarns used.

Continued capacity demand for its products during 1947 was recently forecast by the president of the company.

Sales for 1946 totaled $39,222,359, compared with $34,679,454 in 1945 when nine months were devoted to manufacture of war materials, and with $39,251,161 in 1941, the last prewar year.

Net profit for 1946 was $1,248,095, equal after preferred dividends to $3.53 a common share, compared with $890,677, or $2.37 a common share in 1945.

Dividend payments in 1946 were $2.00 a share. Most recent dividend was $1.00 a share on March 1, 1947; previous dividend 50 cents a share on Dec. 2, 1946.

Balance sheet as of Dec. 31, 1946 listed total current assets of $26,842,326; total current liabilities $3,423,334. Net current assets $23,418,992.

The company plans extensive plant modernization with new machinery which is now on order and scheduled for delivery this year. To provide funds for modernization and additional working capital, the company borrowed $5,000,000 on a long term basis last August from three institutional lenders.

There are 26,403 shares of 6% cumulative preferred ($100. par value) and 308,609 shares of common stock outstanding.

There is a substantial demand for carpets and rugs in the replacement market, as well as demand created by construction of new homes. In addition, there is a backlog of business from hotels, theatres, stores and other types of public institutions.

In view of favorable prospects, we recommend retention of the stock.

### Victor Chemical Works

*Please furnish information on Victor Chemical Works.*
*A. G. G., Cincinnati, Ohio*

Large demand for phosphate compounds accounted for record sales in 1946 by Victor Chemical Works of $19,408,526. Sales

(Please turn to page 757)

# Keeping Abreast of Industrial and Company News

Lowering of prices must be started right away, declares the Department of Commerce, or many business managements may be faced with the need for more drastic cuts later on, when competition really becomes acute. If the Department is right, there are plenty of concerns who could well afford to start the ball rolling.

Following the lead of the Ford Motor Company in announcing price cuts, the action of International Harvestor Co. in promptly putting into effect a 20% reduction on practically its entire line of farm equipment, was a bold move, and one likely to be followed by numerous farsighted business leaders. The case cited is significant in that the step had not been forced by competition as yet.

Chairman Thomas E. Wilson, of Wilson & Co., meat packers, has warned his stockholders that the American people are backing away from high prices, but blames $30 dollar catle and $28 hogs for the trouble in his special field. He thinks the country would be much better off if the price of livestock could be lowered. In this he is right, in that cost-of-living items should lead the way to more stable levels.

Cross currents appear to be creating diverse prospects for the Machine Tool Industry. Some producers of standard items report a lag in orders which has necessitated rather substantial reductions in schedules. But specialists which make "tailor made" equipment are enjoying record backlog orders and in some cases have been obliged to turn away would be customers.

Among many branches of industry which broke all production records in 1946 were the manufacturers of shoes. Total output for last year zoomed up to more than 528 million pairs, highest for any year in the history of the industry. Factories in three New England States alone accounted for 35.2% of the national output. In terms of dollars, 1946 volume for the shoe industry rolled up to a record $1.58 billion.

Phonograph record producers, too, turned out more discs last year than the most optimistic prophets had expected, the total rising for an all time mark of 275 million. Between juke boxes and the children, this industry has set its 1947 sights on turning out as many as 400 million records to meet the insistent demand which a high level of national income has stimulated.

With February sales of 272,927 units, the vacuum cleaner industry also has forged to the front with new records. Compared with the same month a year ago the percentage gain achieved was 126%, and unit sales in the shortest month of the year even topped those in the holiday month of December, 1946.

James J. Newman, vice president of B. F. Goodrich Co., foresees excellent business assured to all branches of the rubber industry in 1947. Although the 1946 output of tires was 88 million, 28 million more than in 1940, he thinks that during the current year production will expand to 89 million.

Car owners accustomed to buying nylons for their wives will soon experience a new urge to buy all-nylon tires for their automobiles, if Goodyear Tire & Rubber Co. has its way. Claim is that their new Double Eagle tire, with six plys of nylon, will have 60% more strength than any previous one made with cords. The newcomer will be lighter in weight, too, though perhaps not on the purse.

Outlook for the railway equipment industry has been further brightened by the announcement by the Association of American Railroads that they now plan to buy 131,600 new freight cars during their current program. This will mean orders totalling about $650 million for the manufacturers, aside from locomotives and passenger cars. And the steel companies are doing their part by attempting to supply material for 10,000 cars per month rather than 7,000 as at present.

In order to stimulate search for additional oil reserves in the United States, practically all of the major oil concerns within a few weeks past have raised prices not only for crude but for many end products as well. Standard Oil of Indiana took the first step with a 25 cents per barrel boost, and now what resembles a nationwide rush to follow suit has set in.

To assure development of the Saudi Arabian oil concession, owned jointly by S. O. of California and the Texas Co., but hopefully to be shared with Socony-Vacuum and S. O. of N. J., a bank loan for $102 million has been reported negotiated. The two new aspirants for joint ownership are understood to have guaranteed the loan, though not equally.

A constructive step towards educating the public in business affairs has been taken by General Mills, Inc. All students of the University of Michigan are invited to a simulated stockholders meeting, where the company's operations for 1946 will be discussed on the basis of the annual report and all questions arising from the floor will be answered.

The Nation's January imports for consumption reached an all time record high in dollar valuation, the total amounting to $537 million, 34% above the relative figures for 1946. Crude materials and crude foodstuffs showed a combined gain of $62 million over the preceding month, but manufactured items dropped by $24.4 million. In the long run this divergence will have to be corrected.

With the addition of 11 newcomers the roster of railroads providing charge facilities for ticket buyers has risen to 45 in all. Under this plan cards will be issued to prospective travellers, after formal establishment of necessary credit, and subscribers will be billed monthly for their journeys.

The Celanese Corporation has disclosed the completion of arrangements with the government of British Columbia, Canada, for construction of a $15 million new plant. Celanese obtains a perpetual license on large timber lands, from which enough cellulose pulp to supply it with 50% of its needs can be obtained. The new plant's capacity will equal about 20% of the total cellulose industry production.

The War Assets Administration is having a hard time in finding buyers for some of its war plants, apparently. A steel plant at Johnstown, Pa., which cost $4,650,000, may now go to the City for $381,000 perhaps, but WAA rejected its first bid of a flat $100. The prospective buyer will have to loosen up a bit, the Agency demands.

Harlow H. Curtice, vice president of General Motors, forecasts a 3.5 million car output for the automotive industry in the current year, that is if materials shortages and labor turnover do not provide more trouble. Sheet steel scarcity will be the main barrier. Not until 1948 can most units in the industry hope to get really into their full stride.

# The BUSINESS ANALYST

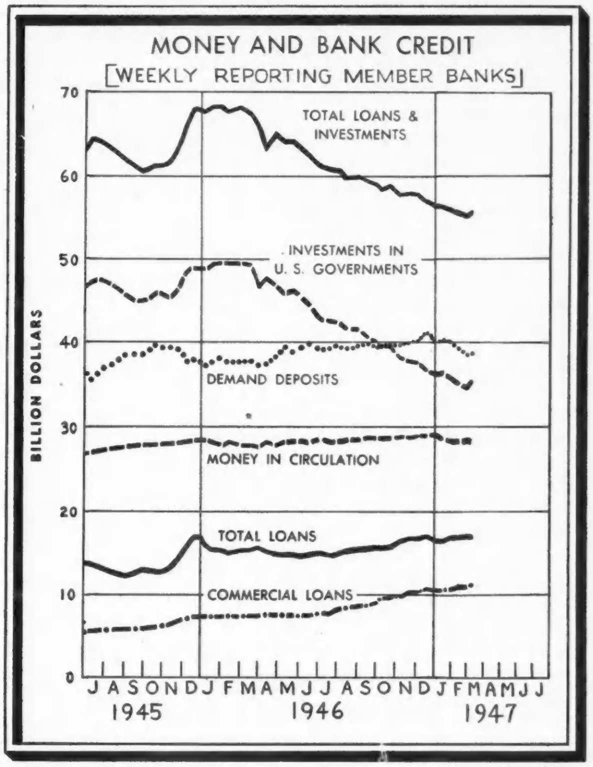
## SUMMARY

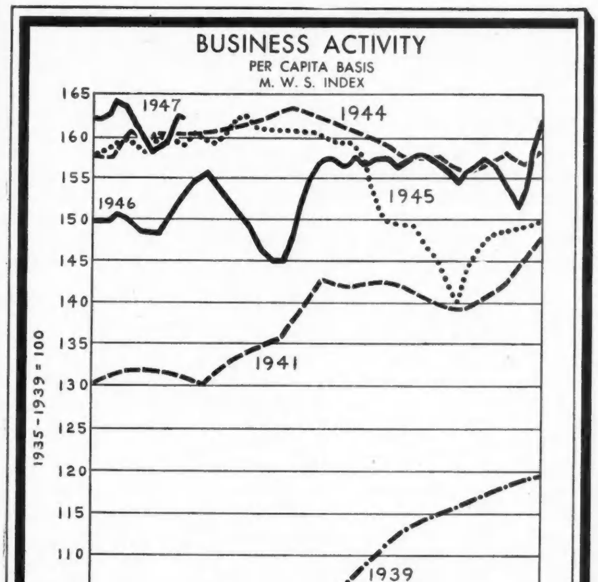
**MONEY AND CREDIT**—Interest rates may harden further, though U. S. Government bond prices remain firm. India bans imports of gold and silver; so price of foreign silver at New York slumps again.

**TRADE**—January retail store sales 18% ahead of last year, with durable goods up 49% and non-durables 12%. Margin of increase in department store sales should widen up to April 7; but, as Easter comes a fortnight earlier this year than last, the fortnight following April 7 will make a poor comparative showing.

**INDUSTRY**—Business activity rebounds to within a small fraction of its all-time high. Leading manufacturing concerns earned last year, owing to major strikes, only 11.9% on net worth, compared with 12.4% in 1941 and 12.8% in 1929. Backlog of orders for labor-saving, automatic machinery is at record high—a promise of continued prosperity. There will be no important business recession in the U. S. A. until Europe gets back on her feet, which will not be in the near future.

**COMMODITIES**—President Truman's program to aid strategic sections of Europe, boosts commodity prices here. Wheat at new 30-year high. Farm income this year will about equal last year's.




**Business Activity** expanded about 2½% during the fortnight ended Mar. 8, to a level something more than 9% above last year at this time and only fractionally under its all-time high.

* * *

January **Retail Store Sales** were 18% ahead of the like month last year, with durable goods up 49% and non-durables 12%. Department Store Sales in the week ended Mar. 8 were only 9% above the like period a year earlier, compared with a cumulative rise of 13% for the year to date. The margin of increase over last year will probably widen from now on until April 6 and then drop sharply for a fortnight thereafter; since Easter comes two weeks earlier this year than last.

* * *

The National City Bank finds that 840 leading manufacturing concerns **Earned** an average of 11.9% **On Net Worth** last year, against only 9% in 1945. This compares with 12.4% in 1941, 10.8% in 1937 and 12.8% in 1929. Largest rate of return on net worth last year, 32.9%, was for beverage makers; while the lowest rate, 6%, was for the strike-plagued electrical equipment and radio industry.

* * *

The **Machine Tool Industry** which, in reflecting demand for capital goods, serves as about the best single barometer of business activity, is signaling prosperity ahead; not depression. Its backlog of orders for automatic machinery has reached a new high record. The

(Please turn to following page)

# Inflation Factors

| | Date | Latest Wk. or Month | Previous Wk. or Month | Year Ago | Pre-Pearl Harbor |
|---|---|---|---|---|---|
| **MILITARY EXPENDITURE (tf) $b** | Mar. 12 | 0.34 | 0.44 | 0.74 | 0.43 |
| Cumulative from Mid-1940 | Mar. 12 | 351.0 | 350.7 | 330.6 | 14.3 |
| **FEDERAL GROSS DEBT—$b** | Mar. 12 | 260.6 | 260.5 | 278.0 | 55.2 |
| **MONEY SUPPLY—$b** | | | | | |
| Demand Deposits—101 Cities | Mar. 12 | 38.8 | 38.6 | 37.7 | 24.3 |
| Currency in Circulation | Mar. 12 | 28.3 | 28.3 | 27.9 | 10.7 |
| **BANK DEBITS—13-Week Avge.** | | | | | |
| New York City—$b | Mar. 12 | 7.41 | 7.41 | 7.47 | 3.92 |
| 100 Other Cities—$b | Mar. 12 | 9.66 | 9.65 | 8.12 | 5.57 |
| **INCOME PAYMENTS—$b (cd)** | Jan. | 14.42 | 15.95 | 13.05 | 8.11 |
| Salaries & Wages (cd) | Jan. | 9.12 | 9.38 | 8.18 | 5.56 |
| Interest & Dividends (cd) | Jan. | 1.25 | 2.40 | 1.12 | 0.55 |
| Farm Marketing Income (ag) | Jan. | 2.14 | 2.47 | 1.53 | 1.21 |
| Includ'g Govt. Payments (ag) | Jan. | 2.18 | 2.49 | 1.65 | 1.28 |
| **CIVILIAN EMPLOYMENT (cb) m** | Feb. | 55.5 | 55.4 | 51.2 | 52.6 |
| Agricultural Employment (cb) | Feb. | 6.9 | 6.5 | 6.9 | 8.9 |
| Employees, Manufacturing (lb) | Jan. | 15.0 | 15.0 | 13.2 | 13.8 |
| Employees, Government (lb) | Jan. | 5.2 | 5.4 | 5.5 | 4.6 |
| **UNEMPLOYMENT (cb) m** | Feb. | 2.5 | 2.4 | 2.7 | 3.4 |
| **FACTORY EMPLOYMENT (lb4)** | Jan. | 150 | 150 | 130 | 147 |
| Durable Goods | Jan. | 173 | 172 | 144 | 175 |
| Non-Durable Goods | Jan. | 131 | 132 | 119 | 123 |
| **FACTORY PAYROLLS (lb4)** | Dec. | 300 | 292 | 226 | 198 |
| **FACTORY HOURS & WAGES (lb)** | | | | | |
| Weekly Hours | Dec. | 40.9 | 40.2 | 41.5 | 40.3 |
| Hourly Wage (cents) | Dec. | 114.5 | 113.9 | 99.4 | 78.1 |
| Weekly Wage ($) | Dec. | 46.86 | 45.78 | 41.21 | 31.79 |
| **PRICES—Wholesale (lb2)** | Mar. 8 | 148.7 | 146.4 | 108.2 | 92.2 |
| Retail (cdlb) | Jan. | 172.7 | 172.7 | 143.1 | 116.2 |
| **COST OF LIVING (lb3)** | Jan. | 153.1 | 153.3 | 129.9 | 110.2 |
| Food | Jan. | 183.8 | 185.9 | 141.0 | 113.1 |
| Clothing | Jan. | 178.3 | 176.5 | 149.7 | 113.8 |
| Rent | Jan. | 108.8 | 108.8 | 108.3 | 107.8 |
| **RETAIL TRADE $b** | | | | | |
| Retail Store Sales (cd) | Jan. | 7.87 | 10.28 | 6.70 | 4.72 |
| Durable Goods | Jan. | 1.63 | 2.05 | 1.11 | 1.14 |
| Non-Durable Goods | Jan. | 6.24 | 6.23 | 5.59 | 3.58 |
| Dep't Store Sales (mrb) | Jan. | 0.58 | 1.21 | 0.50 | 0.40 |
| Retail Sales Credit, End Mo. (rb2) | Jan. | 4.32 | 4.59 | 2.88 | 5.46 |
| **MANUFACTURERS'** | | | | | |
| New Orders (cd2)—Total | Jan. | 241 | 236 | 188 | 181 |
| Durable Goods | Jan. | 268 | 263 | 176 | 221 |
| Non-Durable Goods | Jan. | 224 | 221 | 196 | 157 |
| Shipments (cd2)—Total | Jan. | 273 | 276 | 184 | 184 |
| Durable Goods | Jan. | 294 | 290 | 169 | 223 |
| Non-Durable Goods | Jan. | 259 | 266 | 195 | 158 |
| **BUSINESS INVENTORIES, End Mo.** | | | | | |
| Total (cd)—$b | Dec. | 34.9 | 35.2 | 26.4 | 26.7 |
| Manufacturers' | Dec. | 20.2 | 19.9 | 16.3 | 15.2 |
| Wholesalers' | Dec. | 5.9 | 5.7 | 4.3 | 4.3 |
| Retailers' | Dec. | 8.8 | 9.6 | 5.8 | 7.2 |
| Dept. Store Stocks (mrb) | Dec. | 1.9 | 2.2 | 1.1 | 1.4 |

## PRESENT POSITION AND OUTLOOK

(Continued from page 753)

new equipment will make it possible for manufacturers to reduce profits and still maintain profits. Rising wages always lead to greater mechanization of industry, with resulting cost reductions that are passed along to the public. The incentive is profit. The result is that, in this land of free enterprise, we pay the biggest wages and enjoy the highest standard of living of any country in the world.

* * *

The Edison Electric Institute reports that world production of **Electric Power** reached 664 billion kilowatt-hours in 1944. Of this total, the U. S. A., with less than 7% of the world's population, produced 42%.

* * *

Canada, Switzerland and the United States, about the only remaining strongholds of free enterprise, still remain prosperous in a world where industrial production elsewhere has been so stifled by the cancer of **Statism** that people are starving and begging the much berated, capitalistic U. S. A. for help.

* * *

Meanwhile the **Communist Fifth Column** is screaming predictions of an approaching business depression here which, strange to relate, even conservative business interests have fallen for.

* * *

There probably will be a **Depression** sometime; but not until Europe gets back on her feet, which will **Not** be **In the Near Future.** Also, we're all destined to die sometime; but why befuddle our minds and paralyze our initiative now with worrying too far ahead!

* * *

**Interest Rates** have been hardening slowly, though U. S. Government bond prices have held steady this year under Government support, and it is a fair guess that the uptrend in interest rates has not ended. The New York Stock Exchange reports that the average yield on 798 dividend-paying listed stocks at last year's close was 4.8%, compared with only 3.6% at the end of 1945. Bond prices have also been sagging which is another way of saying that bond yields have been rising.

* * *

Many States of the Union and their municipalities are planning large **Bond Issues** to finance wage increases and lavish soldiers' bonus payments. And now a new competitor, the World Bank, rises upon the horizon to bid for capital funds in a market already well filled with offerings of government and corporate new securities.

* * *

Mr. Eccles has asked Congress to grant the Federal Reserve Board more authority to regu-

# Production and Transportation

| | Date | Latest Wk. or Month | Previous Wk. or Month | Year Ago | Pre-Pearl Harbor |
|---|---|---|---|---|---|
| **BUSINESS ACTIVITY—1—pc** | Mar. 8 | 162.0 | 162.5 | 151.3 | 141.8 |
| (M. W. S.)—1—np | Mar. 8 | 178.9 | 177.8 | 164.1 | 146.5 |
| **INDUSTRIAL PROD. (rb)—1—np** | Jan. | 188 | 181 | 160 | 174 |
| Mining | Jan. | 145 | 136 | 141 | 133 |
| Durable Goods, Mfr. | Jan. | 220 | 210 | 166 | 215 |
| Non-Durable Goods, Mfr. | Jan. | 177 | 173 | 161 | 141 |
| **CARLOADINGS—t—Total** | Mar. 8 | 806 | 850 | 786 | 833 |
| Manufactures & Miscellaneous | Mar. 8 | 365 | 391 | 349 | 379 |
| Mdse. L. C. L. | Mar. 8 | 122 | 124 | 122 | 156 |
| Grain | Mar. 8 | 51 | 57 | 47 | 43 |
| **ELEC. POWER Output (Kw.H.) m** | Mar. 8 | 4,787 | 4,797 | 3,953 | 3,267 |
| **SOFT COAL, Prod. (st) m** | Mar. 8 | 12.8 | 12.7 | 13.1 | 10.8 |
| Cumulative from Jan. 1 | Mar. 8 | 124 | 111 | 122 | 446 |
| Stocks, End Mo. | Jan. | 49.1 | 47.1 | 46.5 | 61.8 |
| **PETROLEUM—(bbls.) m** | | | | | |
| Crude Output, Daily | Mar. 8 | 4.8 | 4.8 | 4.4 | 4.1 |
| Gasoline Stocks | Mar. 8 | 106 | 106 | 105 | 88 |
| Fuel Oil Stocks | Mar. 8 | 44 | 45 | 38 | 94 |
| Heating Oil Stocks | Mar. 8 | 37 | 38 | 26 | 55 |
| **LUMBER, Prod. (bd. ft.) m** | Mar. 8 | 459 | 437 | 396 | 632 |
| Stocks, End. Mo. (bd. ft.) b | Jan. | 4.3 | 4.5 | 3.5 | 12.6 |
| **STEEL INGOT PROD. (st.) m** | Feb. | 6.43 | 7.23 | 1.39 | 6.96 |
| Cumulative from Jan. 1 | Feb. | 13.7 | 7.23 | 5.26 | 74.7 |
| **ENGINEERING CONSTRUCTION AWARDS (en) $m** | Mar. 13 | 103 | 128 | 75 | 94 |
| Cumulative from Jan. 1 | Mar. 13 | 1,019 | 915 | 738 | 5,692 |
| **MISCELLANEOUS** | | | | | |
| Paperboard, New Orders (st)t | Mar. 8 | 237 | 193 | 178 | 165 |
| Cigarettes, Domestic Sales—b | Jan. | 28.5 | 22.7 | 25.2 | 17.1 |
| Do., Cigars—m | Jan. | 510 | 466 | 469 | 543 |
| Do., Mfd. Tobacco (lbs.)m | Jan. | 20.1 | 17.6 | 20.8 | 27.6 |
| Whiskey, Dom. Sales (tax gals.)m | Jan. | 5.9 | 5.8 | 5.9 | 8.1 |
| Do., Stocks, End Mo. | Jan. | 408 | 391 | 350 | 506 |

**PRESENT POSITION AND OUTLOOK**

late short term interest rates; but the Treasury is delaying the fomulation of a definite **Debt Management Policy** until the budget has been enacted and the commodity price trend becomes clearer. Should prices decline and the budget indicate a substantial surplus permitting further cash redemptions of short term obligations, the Treasury may issue only short term certificates for refunding purposes. Otherwise, long term Government bonds, bearing a higher interest rate, may be offered to non-bank investors in order to reduce deposits and thereby help to check a further inflationary rise in prices.

* * *

Treasury Secretary Snyder is all for debt reduction before tax reduction; since a third of the Government's gross debt of $258 billion is now payable in less than five years and it is becoming progressively more difficult to sell low interest, short term securities to private investors. To tempt investors with long term bonds for redeeming short term obligations would cost the Government more than twice as much as short term borrowing. Interest payments already come to $5 billion year, a sum which, after all, amounts to only 2½% of the national gross product. From this angle, the **National Debt Is Not Topheavy.** Meanwhile cash receipts are running much farther ahead of expenditures than anticipated, which has permitted a further $1.5 billion cash redemption of Treasury certificates on April 1.

ag—Agriculture Dep't. b—Billions. cb—Census Bureau. cd—Commerce Dep't. cd2—Commerce Dep't. Avge. Month 1939—100. cdlb—Commerce Dep't. (1935-9—100), using Labor Bureau and other data. en—Engineering News-Record. 1—Seasonably adjusted Index. 1935-9—100. lb—Labor Bureau. lb2—Labor Bureau, 1926—100. lb3—Labor Bureau, 1935-9—100. lb4—Labor Bureau, 1939—100. lt—Long tons. m—Millions. mpt—At Mills, Publishers and in Transit. mrb—Magazine of Wall Streeet, using Federal Reserve Board data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, Instalment and Charge accounts. st—Short tons. t—Thousands. tf—Treasury and Reconstruction Finance Corp.

## THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

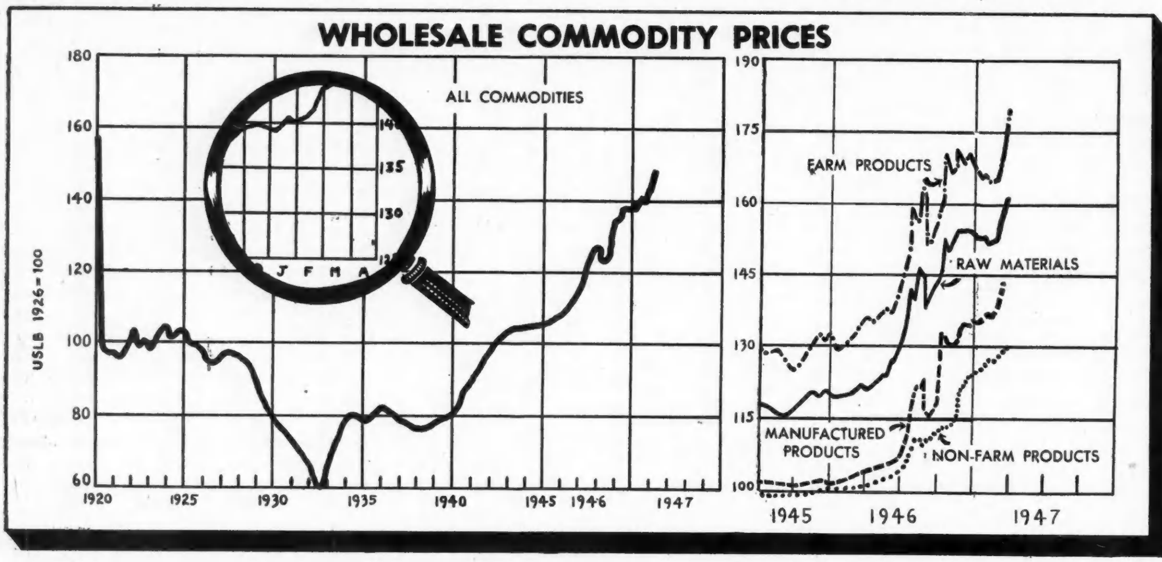
| No. of Issues (1925) Cl.—100) | 1947 Indexes High | Low | Mar. 8 | Mar. 15 |
|---|---|---|---|---|
| 304 COMBINED AVERAGE | 148.8 | 132.5 | 135.8 | 132.5 |
| 4 Agricultural Implements | 188.0 | 159.2 | 172.8 | 163.8 |
| 11 Aircraft (1927 Cl.—100) | 167.1 | 151.1 | 153.3 | 152.4 |
| 6 Air Lines (1934 Cl.—100) | 628.2 | 545.7 | 568.6 | 574.6 |
| 6 Amusement | 146.0 | 124.9 | 132.1 | 124.9b |
| 14 Automobile Accessories | 237.4 | 198.7 | 208.8 | 202.1 |
| 11 Automobiles | 42.8 | 34.7 | 37.8 | 36.8 |
| 3 Baking (1926 Cl.—100) | 24.1 | 22.2 | 22.8 | 22.7 |
| 3 Business Machines | 301.6 | 269.8 | 271.8 | 269.8 |
| 2 Bus Lines (1926 Cl.—100) | 175.0 | 150.5 | 158.6 | 150.5 |
| 4 Chemicals | 245.6 | 218.4 | 236.0 | 234.3 |
| 2 Coal Mining | 20.1 | 17.3 | 18.0 | 17.3b |
| 4 Communication | 58.3 | 49.6 | 50.7 | 49.6d |
| 13 Construction | 66.5 | 58.3 | 60.5 | 58.3 |
| 7 Containers | 371.5 | 332.4 | 342.6 | 332.4 |
| 8 Copper & Brass | 113.9 | 105.8 | 109.7 | 106.9 |
| 2 Dairy Products | 69.7 | 59.0 | 60.2 | 59.6 |
| 5 Department Stores | 78.6 | 70.2 | 72.0 | 70.4 |
| 5 Drugs & Toilet Articles | 223.2 | 193.2 | 195.6 | 193.2b |
| 2 Finance Companies | 255.8 | 221.4 | 231.1 | 221.4 |
| 7 Food Brands | 190.4 | 175.7 | 180.2 | 175.7b |
| 2 Food Stores | 73.3 | 68.5 | 71.0 | 70.6 |
| 3 Furniture | 93.9 | 82.5 | 84.1 | 82.5 |
| 3 Gold Mining | 882.7 | 760.6 | 838.4 | 809.4 |

| (Nov. 14, 1936, Cl.—100) | High | Low | Mar. 8 | Mar. 15 |
|---|---|---|---|---|
| 100 HIGH PRICED STOCKS | 89.87 | 81.58 | 83.41 | 81.58 |
| 100 LOW PRICED STOCKS | 183.14 | 158.08 | 163.48 | 158.96 |
| 6 Investment Trusts | 62.8 | 54.2 | 55.5 | 54.2b |
| 3 Liquor (1927 Cl.—100) | 933.6 | 746.8 | 783.1 | 746.8b |
| 8 Machinery | 159.4 | 140.7 | 143.8 | 140.7 |
| 3 Mail Order | 129.5 | 110.8 | 113.5 | 110.8b |
| 3 Meat Packing | 108.7 | 102.6 | 103.8 | 102.6 |
| 13 Metals, non-Ferrous | 196.7 | 174.3 | 180.4 | 174.3b |
| 3 Paper | 39.6 | 36.1 | 37.4 | 36.1 |
| 23 Petroleum | 191.0 | 176.2 | 177.9 | 177.5 |
| 20 Public Utilities | 134.3 | 120.8 | 125.6 | 120.8 |
| 5 Radio (1927 Cl.—100) | 23.2 | 18.9 | 21.1 | 19.4 |
| 8 Railroad Equipment | 80.6 | 69.6 | 72.3 | 69.8 |
| 23 Railroads | 27.2 | 22.6 | 23.5 | 22.8 |
| 3 Realty | 32.0 | 25.6 | 29.3 | 28.8 |
| 2 Shipbuilding | 114.4 | 104.0 | 108.1 | 105.1 |
| 3 Soft Drinks | 559.0 | 482.7 | 511.7 | 490.5 |
| 13 Steel & Iron | 121.1 | 108.7 | 110.5 | 108.9 |
| 3 Sugar | 68.2 | 61.8 | 62.5 | 61.8b |
| 2 Sulphur | 253.8 | 236.3 | 245.5 | 236.3b |
| 3 Textiles | 128.5 | 104.8 | 117.0 | 115.1 |
| 3 Tires & Rubber | 41.4 | 36.6 | 37.8 | 36.7 |
| 6 Tobacco | 87.4 | 76.7 | 78.0 | 76.7 |
| 2 Variety Stores | 342.8 | 310.2 | 322.6 | 315.3 |
| 19 Unclass. (1946 Cl.—100) | 108.5 | 96.1 | 99.0 | 96.1 |

New LOW since: b—1945; d—1943.

# Trend of Commodities

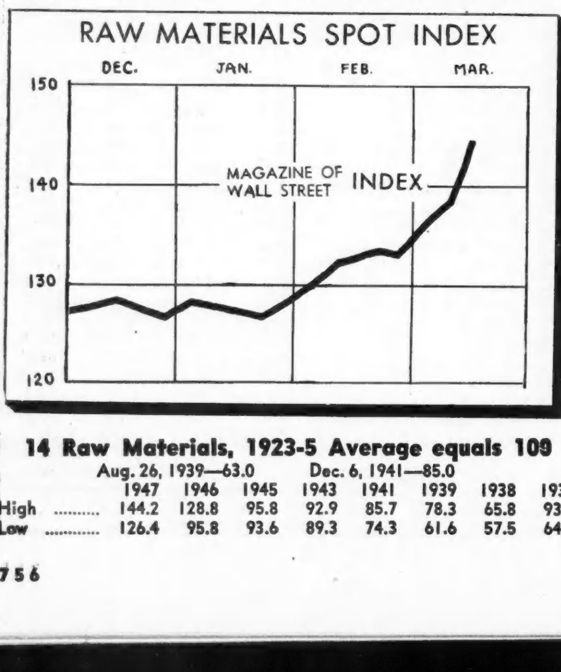
Commodity prices, spot and futures, zoomed to new altitudes during the past fortnight under reports of short crops in Europe and consequent expectency that foreign demand will be abnormally heavy for at least another year. The Government is obliged to bid progressively higher on flour for export, which partly, but not wholly, explains why the Labor Bureau's index of wholesale prices for 12 representative foodstuffs has advanced 42% within the past six months, compared with a rise of only 17% for its index of 7 farm products. Upon the Government's request, commodity exchanges have raised margins sharply on futures trades. Shifting of trading interest from the stock market into commodities appears to have been partly responsible for the recent reaction in common stocks. The International Food Council and the Food and Agricultural Organization (FAO) of the UN agree in predicting that world grain supplies will remain tight until the 1948 harvest. F. A. O. points out, however, that when Europe's farms do get back to normal production, the four major wheat exporting nations—the United States, Canada, Australia and Argentina—will find themselves with a combined productive capacity of 1.8 billion bushels, of which about 0.6 billion bushels will be surplus available for export, an increase of about a third over the five-year prewar average. The B. A. E. predicts that prices may average lower during the second half year than in the first half.




## U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
**Spot Market Prices — August 1939, equal 100**

| | Date Mar. 15 | 2Wk. Ago | 1 Mo. Ago | 3 Mo. Ago | 6 Mo. Ago | 1 Yr. Ago | Dec. 6 1941 |
|---|---|---|---|---|---|---|---|
| 28 Basic Commodities | 337.9 | 322.9 | 310.9 | 299.9 | 238.8 | 189.9 | 156.9 |
| 11 Import Commodities | 293.3 | 289.7 | 293.3 | 289.1 | 219.2 | 170.7 | 157.5 |
| 17 Domestic Commodities | 371.1 | 346.3 | 330.3 | 307.1 | 252.4 | 203.5 | 156.6 |

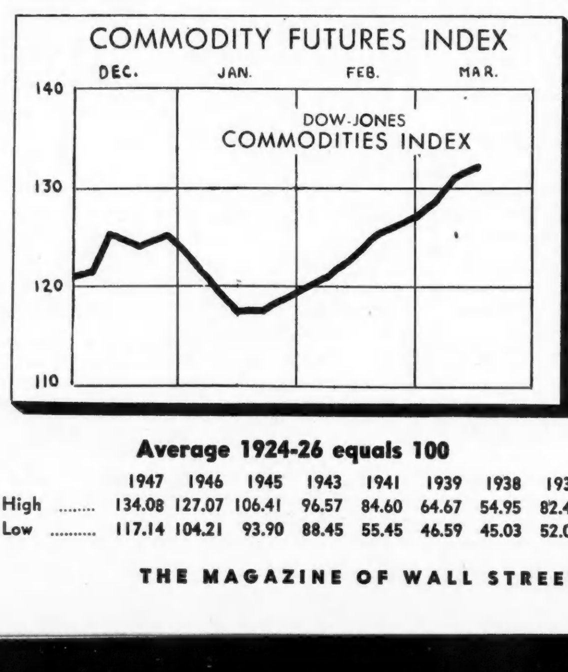
| | Date Mar. 15 | 2Wk. Ago | 1 Mo. Ago | 3 Mo. Ago | 6 Mo. Ago | 1 Yr. Ago | Dec. 6 1941 |
|---|---|---|---|---|---|---|---|
| 7 Domestic Agriculture | 351.4 | 340.6 | 318.1 | 316.9 | 290.3 | 238.0 | 163.9 |
| 12 Foodstuffs | 420.4 | 403.0 | 379.9 | 363.7 | 294.0 | 216.4 | 169.2 |
| 16 Raw Industrials | 286.5 | 273.1 | 267.3 | 259.2 | 204.1 | 172.0 | 148.2 |




**14 Raw Materials, 1923-5 Average equals 109**

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

| | 1947 | 1946 | 1945 | 1943 | 1941 | 1939 | 1938 | 1937 |
|---|---|---|---|---|---|---|---|---|
| High | 144.2 | 128.8 | 95.8 | 92.9 | 85.7 | 78.3 | 65.8 | 93.8 |
| Low | 126.4 | 95.8 | 93.6 | 89.3 | 74.3 | 61.6 | 57.5 | 64.7 |




**Average 1924-26 equals 100**

| | 1947 | 1946 | 1945 | 1943 | 1941 | 1939 | 1938 | 1937 |
|---|---|---|---|---|---|---|---|---|
| High | 134.08 | 127.07 | 106.41 | 96.57 | 84.60 | 64.67 | 54.95 | 82.4 |
| Low | 117.14 | 104.21 | 93.90 | 88.45 | 55.45 | 46.59 | 45.03 | 52.03 |

## Answers to Inquiries

(*Continued from page* 750)

were 17 per cent ahead of the $16,547,880 sales in 1945.

Net profit for the year, after taxes and reserves, was $2,114,-658, equal to $2.65 a common share, compared with $1,128,-263, or $1.51 a share in 1945.

Business was incorporated in Illinois in February 1902. Company manufactures elemental phosphorous, phosphoric acid and phosphates for food, soft drink, drug, soap, plastics and the metal trades.

Company is planning further expansion. A new phosphorous plant near Tarpon Springs, Fla., to be completed Sept. 1st, is expected to increase the company's productive capacity by 35 per cent, but additional capacity will be needed according to the president. The food industry is the company's largest customer but a non-scratching dentifrice ingredient was the largest selling item in 1946. Several new phosphorous compounds have shown great promise as insecticides and rodenticides.

Capitalization consists of 40,-000 shares of 3½% cumulative preferred and 749,000 shares of common stock outstanding. Balance sheet as of Dec. 31, 1946 reported current assets $8,347,-735, current liabilities $1,391,-401. Net current assets $6,956,-334.

Dividend payments in 1946 amounted to $1.60 a common share.

### Elgin National Watch Co.

*Please advise earnings, dividend and outlook for Elgin National Watch Co.*
*M. B., Mexico City, Mexico*

Elgin National Watch Co. recently announced production of a new alloy watch mainspring, which they claim is the greatest advance in watchmaking since the fabrication of jewels into watch bearings in 1704. The new alloy, known as elgiloy, combines eight chemical elements. It surpasses carbon steel, the mainspring material now in practically universal use in every functional respect, according to tests. Company said they expect the new alloy to improve their trade position and eventually the American watchmaking industry in competition with Swiss watchmakers.

Elgin reported net income for 1946 of $1,430,763 after all charges and taxes, equal to $1.79 a share, compared with net income of $1,050,562, or $1.32 a share for 1945. Net sales for 1946 amounted to $17,688,953, against $20,675,921 for the previous year. Dividends in 1946 amounted to 57½c a share. Earnings are based on 800,000 capital shares now outstanding. The stock was split 2-for-1 in March 1946.

Company was incorporated in Illinois in 1864. Manufactures watch movements and other watch parts. Also produces 8-day clocks and aircraft instruments and miscellaneous precision products.

Balance sheet as of Dec. 31, 1946 listed current assets $16,-646,113, current liabilities $3,-501,367. Company states that wages and costs of all materials have advanced far beyond the modest increases of approximately 12% added to their prices since 1942. Through increased efficiency and increased production, they hope to maintain present prices. Demand for watches continues at a high level.

## Photographic Companies in New Growth Era

(*Continued from page* 742)

basis. These shares participate with the Government owned Class B shares in earnings on a relative 10 to 1 basis as to dividends but with equal voting privileges. Almost a year ago Washington announced that it would invite bids for its shareholdings but nothing as yet has developed. In due course, however, this matter will be settled and the shares of this well established concern may achieve a new status.

The company is one of the leading producers of coal tar dyes and related items, besides the activities of its well-known Ansco and Ozalid Divisions. Pho-

tographic equipment and supplies of every kind are made, not to mention a broad line of sensitized paper. The business has been consistently profitable since 1931, even in depression years. While the annual report for 1946 has not yet appeared, sales of $31.7 million were reported for the first half year, with net earnings equal to $3.39 per share on the class A common. Beginning with 1934, dividends averaged about $3 per share through 1941, but were omitted during reorganization in 1942 and 1943. In 1945 $6 per share was paid, partly in cash and part in stock. While $2.50 in cash or optional stock was distributed in 1946, no action was taken in December as to dividends because of $6.5 million spent on plant extensions during 1946, although working capital at the beginning of last year was at a peak of $42 million. The success achieved by the management of General Aniline since they took over from the Nazis speaks well for the future of this concern, although until its readjustment is complete, its shares must be considered highly speculative.

**Bell & Howell Company**

High quality precision-made moving picture equipment is the specialty of this well entrenched old concern. Cameras, projection and sound apparatus are supplied to the most exacting movie producers as well as to amateurs. Sales are made direct to the professionals and the public is served through dealers all over the world. Revenues are enhanced through rentals of films distributed by the company's Filmsound Library. During war years Bell & Howell held military contracts for nearly $100 million military items, and sales topped $40 million in both 1944 and 1945, while relative net per share in these two came to $1.36 and $1.29 respectively. For more than a decade past, the business has been profitable and rather stable, although results for 1946 have not yet been disclosed. Operations early last year were hampered by a shortage of small motors, and it is thought that volume for the year dipped to around $12 million, resulting in at best slim earnings. But it is reported that backlog orders at end of 1946 totaled $25 million against $7 million a year earlier. As during last year the company bought from the Government a $2.5 million modern plant it had operated during war, its position is improved for doing a large business in the current year. Due to tax relief and freedom to establish prices, earnings in 1947 should be satisfactory and the modest dividend appears secure, but the shares must be regarded as speculative.

**Polaroid Corporation**

This manufacturer of light-polarizing material has been making headline news of late through its announcement of an entirely new method of taking photographs. Claim is that the company will soon be offering a camera from which a completely finished picture will emerge within a minute after being snapped. By the addition of an extra roll the negative is pressed against specially prepared paper, a small container of chemicals is broken, and out comes the picture practically dry. As the extra cost of production is theoretically small, the potentials for this camera carry a lot of speculative allure, for if successful it will indeed give the camera industry something to think about. One handicap, however, may prove difficult in that only one picture rather than an indefinite number can be produced from the same negative, although the picture itself can be re-photographed. Skeptics in the trade also claim that quality of the picture produced will be limited by the automatic treatment accorded. Polaroid Corporation itself was incorporated only about ten years ago and its sales had risen from $195,000 in 1938 to $16.7 million by the end of 1945. In that year the company was recapitalized with 18,000 shares of $50 par 1st preferred and 7,000 shares of $5 par 2nd preferred. 404,375 shares of $1 par common are outstanding, on which no dividends as yet have been paid. In 1945 net per share was reported at 96 cents for the common, and in 1946 a deficit equal to 98 cents per share occurred. Trading in this highly speculative issue is confined to "Over the counter."

## Opportunities for Income and Price Appreciation

(*Continued from page* 747)

extent of 97%, and 1947 reversal of the trend may be slow, at least during the first half. Expenses have soared out of all proportion to revenues as the number of new planes arriving on the scene have heightened competition, and tended to lessen the number of passengers carried by each one. But United Airlines enjoys a strategic advantage in supplying through routes from all big cities on the Atlantic Coast to all those on the Pacific from Los Angeles to Vancouver. Where to date the company has been wholly reliant on 113 planes owned or leased, and in the main relatively expensive to operate, it now will soon have at its disposal 35 Douglas DC 6s, 7 Boeing Stratocruisers and 50 new Martin 303s, all of the most modern construction. The company's entire postwar program involves total outlays of more than $85 million. The big question, of course, is whether or not revenues from passengers and freight in near term years will suffice to meet operating expenses, including heavy charges for depreciation, and after taxes leave a comfortable return for stockholders. In contrast to most industries which write off their equipment over a twenty year period, a brand new airliner must be fully depreciated on the books within the brief space of five years at the most. Based upon recent experience, United Air Lines has absorbed about 10% of operating revenues in taking care of around $4 million annually for depreciation. When its new air fleet goes into operation, this item is likely to soar to several times its present level and unless revenues climb very impressively, it might prove hard to make a good showing on the net profit end. The company's management and loyal shareholders seem to have confidence in the final outcome.

## for Profit and Income

(*Continued from page* 749)

was before the war. Additionally, it has branched out into wines, beer, drugs, feeds and foods; and will go into soft drinks when the sugar supply permits. In short, it is quite a different company from what it was prewar. Purely on a reasoned guess, this column would put long-term earnings at maybe $5-$6 a share, and probably more stable (after the shake-down) than many investors now expect. Our point is that the stock probably has largely, if not completely, discounted the re-adjustment. It would not be surprising if in time it sells considerably higher than now on considerably lower reported earnings.

### Group Variations

Recent reaction lows in the averages were nearly the same as in mid-January. Group variations, as between the two general lows, were not very emphatic in most cases. However, groups which at the March lows to date compared best with mid-January positions include farm machinery, aircraft and air lines, metal fabricating, rail equipment, textiles and apparel and tires. Groups which broke their January lows mostly by a small margin, include drugs, tobaccos, machinery, oils and motion picture.

### Some Estimates

On the basis of latest indications, Chrysler should earn around $16 a share or so this year; General Motors perhaps $6-$7; Electric Auto-Lite around $7 to $8; First National Stores around $6; Standard Oil of California about $6; Standard Oil (New Jersey) over $8; Union Carbide $8; American Smelting $7-$8. We could add a dozen or more with fair assurance they will be roughly near the mark—but the current market seems uninterested in good earnings. Maybe they are too good—so good that it is figured they can hardly get better and that the next significant change will be downward.

### If You want It

Stocks now offering a good and adequate secure income return—if you want it—are Beneficial Industrial Loan and Household Finance, Kress and Woolworth, First National Stores and Kroger Company, Ohio Edison and Pacific Gas & Electric, Standard Oil (New Jersey) and Texas Company. They are in pairs of closely similar merit. Take your choice. All are solid.

## The Future of the Sterling Area

(*Continued from page* 732)

than Great Britain is likely to be influenced to some extent by the settlement—or non-settlement—of their claims against Britain. Currency restrictions are more likely to be relaxed if a substantial amount of blocked sterling is released for current purchases—let us say, in return for a debt reduction. Otherwise the balance of payments of the present sterling area countries with the United States will probably be the chief factor in determining to what extent the convertibility of their currencies will be restored.

Britain's obligation to restore free convertibility for current transactions is binding only for the countries which are under her direct jurisdiction, such as Malaya, the West African and East African colonies, and the West Indies. But the self-governing dominions, Australia and/or New Zealand, and/or the independent countries such as Egypt or Ireland—are not bound by the Anglo-American Loan Agreement.

A good case could be made for free convertibility of the Indian rupee and the South African pound. Apart from receiving freely convertible sterling, India is likely to be long on dollars because her balance of payments with the dollar bloc countries is usually favorable. South Africa can always settle in gold either from current production or from its huge wartime accumulated reserves.

On the other hand, Australia, New Zealand, Egypt, Iraq, and Ireland, though long on freely convertible sterling, have normally an unfavorable trade balance with us. Hence they may decide to keep the present limited convertibility, which even as members of the Bretton Woods institutions they can do for the next five years. Australia and New Zealand are in fact contemplating a further restriction on dollar expenditures. Every single one of these countries, and for that matter also India, has ambitious industrialization plans requiring a careful husbanding of hard currencies.

The wartime association of the countries pooling their resources, known as *the sterling area*, is about to be transformed into a somewhat looser system, possibly much like the *prewar sterling bloc*. The pegging to the pound sterling of the Empire currencies and the currencies of some of the independent states is bound to continue. Though the pooling of hard currency resources will end, some of the dominions (Australia and New Zealand) and of course all the crown colonies will continue to provide valuable and effective aid to London by restricting to the minimum their purchases in the dollar area. That is obvious.

The other countries, India, Egypt, Iraq and South Africa, will probably do with their dollars and freely convertible pounds what they please. Undoubtedly they will increase their purchases in the United States, but they may not have enough freely convertible resources to remove all controls over their trade. Selective buying in this country will therefore continue.

What will happen to blocked pounds, particularly, if no ageement is reached with such large creditors as Egypt and India? There is a possibility that such blocked pounds will be sold at a discount—against dollars as well as against freely convertible sterling. Such sales by the Indians have already been reported.

As to the rupee breaking away from the pound sterling altogether, the possibility seems to be slight just now. As long as she has large blocked sterling balances, India has more to gain by staying in pound sterling area.

## Which Companies Will Need Financing in Period Ahead

(*Continued from page 729*)

under which it reduced interest charges last year by $1,316,000 to $11,395,000. An additional $100,000,000 of refunding bonds were sold to the public March 19, 1947. Over the medium term, the company plans to spend $250,000,000 for expansion.

Armour & Co. has amended its recapitalization plan announced last July, the president of the company stating that it will not be necessary to issue any additional common shares as part of the plan. A new plan was made possible by increased working capital derived from "more satisfactory earnings." The new program would increase by an unspecified number the 350,000 shares of $100 stated value of new first preference stock, and reduce by an unspecified number the 300,000 shares of $100 stated value second preference shares which are to be convertible into common stock. The changes are designed to meet objections of certain stockholders who contended that the original plan would dilute the equity of the common. The program will be offered and underwritten when market conditions permit.

### Comments and Conclusions

Review of the tabulation shows that only about twenty per cent of the companies reported declines in working capital between 1945 and 1946 and have not made arrangements to finance. Moreover, these declines were slight, and cash assets continued ample for current and prospective needs. By and large, the contrasts with 1940 figures reveal growth to positions of major strength today. The tabulation is not, of course, the only necessary yardstick to compare even the financial positions; but other factors within each company must be given consideration.

Due to the high costs of additional plants, the companies that plan to further expand will need, for labor, materials, et cetera, part of the large funds they had on hand at the close of last year. However, except for the durable

goods manufacturers, they will not, generally speaking, need to further increase inventories. The great majority of companies show substantial increases in inventories in 1946 over 1945, and when contrasted with 1940 demonstrate that business should continue at the highest level in history. Most conservative commitments would be in companies' stocks, such as Hazel-Atlas Glass and Youngstown Sheet & Tube, that have not increased inventories over the 1940 level. Contrasts between 1946 and 1940 are apparent in nearly all cases for the figures in the first three columns of our tabulation and augur well for abilities of the companies to handle large volumes of business for the quarterly periods and for the years ahead.

## 100 Most Active Low Priced Stocks Under $20 Per Share

(*Continued from page* 738)

### Radio-Keith-Orpheum Corporation

This producer and exhibitor of motion pictures undoubtedly will have a heartening report for its shareholders when its full results for 1946 are disclosed. During the first nine months of 1946 net earnings per share came to $2.59 against $1.19 in the relative period of 1945. And with national income at record high levels the prospects for 1947 are encouraging. Early last year, the company fortified its financial position through a private sale of $22 million 3% debentures, from the proceeds of which it retired practically all of the mortgage debts on its theaters. Net working capital on June 30, 1946 was $39 million, including $24.4 million Government bonds. On 3,834,827 shares of common RKO paid initial dividends of 90 cents per share last year, and could rather easily have been more liberal. The shares recently sold at 14½, compared with a 1946 range of high—28⅛, low —15⅛.

### Socony-Vacuum Oil Company

As one of the largest producing, refining and marketing oil concerns in the United States, this concern is well known to our readers. Domestic oil reserves in most productive sections of the country are held on a large scale, while in the Far East the company is strongly entrenched. At the end of 1945 a working capital of $274 million speaks for itself, in considering the financial status. While final figures for 1946 have not become available, the company estimated net for the first nine months as about $30 million. More than 130,000 stockholders own the 31,178,323 shares of common outstanding and on which dividends have been paid without a break since 1911. Price for the shares recently was 14¼, against a high of 15⅛ and a low of 14 for the current year. In 1946 a high of 18¼ was registered.

## $3 Billion In Subsidies—

(*Continued from page* 723)

prices, as at present, parity prices are proportionately increased.

Now, in order to maintain these prescribed parity rates, the Government is committed to enter the open market and buy up various staple commodities. Thus, at a time when wearing apparel is still at a premium, the Commodity Credit Corp. has been buying up "surplus" wool in the open market and impounding it in Government warehouses. In this manner it has stockpiled some 460 million pounds of the staple sorely needed by industry and consumers, but it can't resell it below parity levels! Thus, Mr. John Taxpayer is not only charged for this via his income tax, but must pay an artificially high price for the wool which enters his articles of wear.

Much the same situation has been true of potatoes, of which we recently had a huge surplus. Tons of potatoes rotting on the ground seem incomprehensible at a time when food costs are staggering and the world is on short rations. Yet, thanks to the perverse workings of our subsidy laws, the Commodity Credit Corp. was required to buy up this surplus which it could not resell. Actually, it distributed some of it gratis to charities and institutions, but thousands of tons still remained to rot on the ground. Under a freer working of the laws of supply and demand, the market price would have declined under the surplus supply, and housewives would have had the benefit of lower prices. Instead, they had to pay a hidden premium to the farmer in the form of an artificially high price. Worse still, part of the price premium goes to administering the subsidy operations.

Much the same story could be repeated with regard to other commodities. The potato-buying program last year cost the taxpayers around $80,000,000, and will run to approximately the same figure this year. Wool buying is expected to approximate $700,000,000, while the program to support turkey prices will add another $20,000,000.

Still another paradox in the farm subsidy program is the bounty of some $66,000,000 set aside to stimulate exports of farm products, at a time when foreign demand for American foodstuffs and fibre is at a record high and is yielding peak prices.

Yet, it must not be supposed that farmers account for the bulk of subsidy payments. Upon scrutinizing the Federal budget, it will be seen that other items far outweigh the sums devoted to farm aid. For example, one of the largest appropriations is to aid veterans—to the tune of over $7,000,000,000! Few people will question the desirability of assisting veterans, whose deserving aid is beyond all dispute. The issue here is not the matter of aiding the ex-service man and his dependents, but of the efficiency in which the aid is granted. In other words, will the veteran receive the full benefit of these huge grants, or will large amounts thereof be wasted by bureaucracy and red tape in the process? All indication to date suggest that this will be the case.

Breaking down this $7,000,000,000 figure, we see that rough-

ly $1,000,000,000 is allocated for job training, whereby the veteran is underwritten by the Government to learn his new job or trade. Undoubtedly this form of assistance is proper and justified in many cases, yet actual experience has already shown that there are many instances where the privilege is being abused. For instance, there is the now classic case where the Veteran's Administration found itself paying a veteran to "learn" to be a bank Vice President. A more efficient administration of this bounty system could reduce the outlay far below its present huge total.

The above $1,000,000,000 appropriation is not to be confused with the educational benefits under the G.I. "bills of rights," which calls for still another billion, nor with the $980,000,000 earmarked for jobless vet benefits. And, on top of all this, is the $870,000,000 asked to execute this vast program via the Veteran's Administration, a sum, incidentally, which is almost as much as was used to run the entire Army and Navy before the war.

One notable subsidy is the $300,000,000 postal deficit which operates as an indirect subsidy to certain types of business interests, notably newspaper and periodical publishers. Thus, newspapers are mailed for some $83,000,000 less than it costs the Post Office to handle them, while magazines pay about $39,000,000 below actual costs. The latter, incidentally, does not include so-called "non-profit" magazines of a fraternal, educational, or institutional nature, which cost the Government another $26,000,000. Another important subsidy item to note in passing is the public works and housing program, at a cost of $2,072,000,000, compared with a 1946 appropriation of $359,000,000.

How great is our national subsidy bill? The answer to that depends largely upon what is included as a subsidy item. As previously stated, many such items are hidden, or not readily identifiable on first inspection in the budget. Some authorities put the total subsidy cost as high as $13 billion, but this probably includes certain items of debatable nature.

Just how much of this tremendous cost can be trimmed off the taxpayers' bill right now is a hotly debated subject. But certainly it would seem that more efficient administration could go a long way toward lightening the load. Just by eliminating the previously cited items of $336 million for price support, $66 million for export subsidies, and about half of the $7 billions set aside for veterans would result in a savings of close to $4 billions.

A $4 billion saving is equal to roughly half the corporate tax income estimated for the new fiscal year, or nearly 20% off the $19,120 billions expected from individual levies. What a reduction of this magnitude would mean to the beleaguered taxpayer and shareholder is therefore obvious. It's something for our fiscal authorities to think about.

## Projecting Business Outlook Into Second Quarter

(*Continued from page* 718)

tinues to exceed the number of decreases or omissions, and stock split-ups are still popular. Dividends should be more stable than earnings this year, due to the large accumulation of undistributed earnings during and since the war. Many companies, however, will not pay out anything near their total earnings, because of needing capital for plant expansion and for financing inventories and receivables at the higher price levels now prevailing. Dividend policies have, speaking generally, been extremely conservative during recent years.

For individual company data on dividend payments and comment on future prospects, the reader is referred to the series of analyses by major industries given in our recent issues.

**7. Credit Position.** Although commercial bank credit, as measured by total loans and investments of the weekly reporting member banks, has declined during the past year by about $12.3 billion, this was more than accounted for by the liquidation of $13.9 billion in government securities that accompanied the retirement of maturing debt from the Treasury's excess cash balances built up by the Victory loan. As this money was never spent, it was only potentially inflationary while in the form of government deposits with the banks, now cancelled by the debt retirement.

Total loans during the past twelve months increased by $1.6 billion. Here again the net change in total obscures diverse changes in the components. Whereas loans secured by U. S. and other bonds and stocks were reduced by $2.9 billion, representing chiefly the liquidation of loans to finance subscriptions to new government securities, all other loans increased by $4.5 billion, of which about three-fourths was in the category of "commercial, industrial and agricultural."

Such a substantial increase in bank borrowing reflects three principal factors: the higher price level, accumulation of inventory, and short or long-term loans to finance plant reconversion, modernization, expansion.

At the same time consumer credit has been rising rapidly toward the former peak in 1941, although January 1947 showed a slight dip. This reflects the financing of purchases of automobiles and other durable goods in increasing amount, either on instalment sales credit or instalment loan credit, from banks and other lenders. The pinch in consumers' budgets referred to above is probably a factor also, as are personal loans to help finance the purchase and repair of homes.

**8. Psychological Factors.** While this review of the more important tangible factors shows the justification for the generally-accepted belief that production and trade will be well maintained through the second quarter, it shows also the reason for the increasing nervousness now being shown. The ending of sellers' markets will eventually have a profound influence on sentiment. The renewed inflation of prices in grain, metals and certain other basic commodities has worried both business and government authorities for fear it will lead to a collapse.

There are threats that the whole national economy may again be tied up by strikes in such lines as steel, automobiles, rubber, coal, railroads, telephones, shipping, banking, and brokerage. Most state and local governments are straining desperately for more and more tax

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## Projecting Business Outlook Into Second Quarter

revenues, in order to pay for increased salaries of school teachers, public servants, soldiers' bonuses, and public works. Many municipally-owned public utilities are run down and in need of repairs, modernization, and extension. Federal tax reduction grows more uncertain.

The present high level of business has been dependent to considerable extent upon credit, and much additional new financing is coming into the market this year. Advertising appropriations for radio programs and other types of promotion are being cut back sharply by many large manufacturers. Finally, the possibility that Russia may be pushing toward another world war hangs like a cloud over the horizon.

This spirit of caution, however, is not in itself to be feared, since it may have an invaluable wholesome influence by calling attention to the dangers inherent in the situation, discouraging further price speculation, wage demands, and other excesses, and thereby aiding in the maintenance of stable and prosperous conditions for an extended period.

## Weighing Changing Trends in Commodity Prices

(*Continued from page* 721)

may continue to work higher for a little longer. But not much longer. Prices of basic farm products such as grains and cotton are well above the projected 1947 government loan levels. New crops will be moving to market within a few months, at about the time when industrial production and national income appear likely to be contracting. It is considered highly problematical whether government loans to farmers at 90 percent of "parity" will prove particularly effective as price supports during a period of declining business activity when the general trend of prices is downward. The Federal Farm Board was unable to check more than temporarily the downtrend of farm products from 1929 to 1932.

### Soft Goods Lines Weaker

In a number of soft goods lines, some retailers already have reduced their selling prices below replacements values plus normal markups in order to move merchandise. With sales volume declining steadily, there will be more of this. Manufacturers assert that they cannot produce merchandise for sale at the reduced retail levels, but eventually they must face the choice of cutting costs or of discontinuing operations. Under competitive conditions, the selling cost of articles produced in quantity for the mass market is determined by what the consumer is able and willing to pay. This simple fact was forgotten in the scarcity economy under OPA, but it is being discovered again. Reduction of production costs puts pressure on wages and raw materials; so, too, does curtailment of production.

In the not far distant future, probably not later than early Summer, curtailment of production of soft goods appears likely to exert considerable pressure upon the prices of raw materials used in their manufacture. This probably will be particularly true of cotton, hides, and leather and to a lesser extent wool. At the same time, meats and fats and oils—at very high levels now—are likely to decline in response to the combined impact of larger supplies and contraction of purpurchasing power. The Department of Commerce believes that prices of lumber, paints and paint materials, and drugs and pharmaceuticals also will move downward this Summer. The items enumerated above cover a large section of our economy.

Ferrous and nonferrous metals, paper and pulp, and industrial chemicals appear to be in strong positions to resist price declines. Nevertheless, insofar as metals are concerned, it must be admitted that a considerable part of the production of durable goods has been for replenishing inventories depleted during the war. Hardware stores, for example, now are reasonably well stocked again whereas, during the war, even their sample boards were stripped. Then, too, it must be recognized that a large part of the demand for metals has emanated from manufacturers of household electrical equipment such as refrigerators, washing machines, irons. It appears that many of the new manufacturers will eventually fall by the wayside. Before they do, however, there is likely to be considerable price cutting both by new and old line manufacturers. Price cutting and curtailment of production are depressants of raw material prices. In the meanwhile government stockpiles have been depleted.

If our economic system were a well-oiled machine, the declines in prices of foods and other farm products would automatically release sufficient purchasing power for consumers to absorb the full production of manufactured goods without difficulty.

If the present upswing in commodity and raw material prices is checked before it goes much further, the consequent price reaction will be less severe and less prolonged and we will be able to move ahead more rapidly into the greatest period of prosperity the United States has ever witnessed. If, on the other hand, prices continue to mount rapidly for several months longer, the reaction may be so severe as to paralyze all industry, wiping out untold amounts of wealth and forcing national income down sharply. However, basic underlying factors already are at work to bring about a connection between prices, production, and national income, and it appears that such a connection will not be long deferred unless new and presently unforeseen factors are injected into the situation to intensify and prolong the upward trend in commodity prices.

## As I See It!

(*Continued from page* 713)

differ widely. As a matter of fact, General Marshall's decision to pull out of China may prove to have been decidedly constructive, if only because it forced the Nationalists to take a definite stand against the Communists themselves. Already the capture of Yenin denotes progress towards setting the Communists back on their heels. China must settle her own internal troubles and when she has demonstrated the requisite strength of character, we can again collaborate with her more effectively. She knows that without our aid she will fall into the Russian orbit.

Now that our legislators in Washington have been told just what's what about the Greek-Turkish situation, it is to be hoped that the Republicans will follow the lead of Senator Vandenberg and support the President's plan. It is a fortunate thing for us all that a conservative like Vandenberg took such an active part in the Paris Conference. He has become fully aware of what we are striving for and just what is needed to meet the current emergency. The fact that he is in harmony with the Administration policy substantiates its soundness. The Government has accomplished so much within a short time by the courage of its standpoint, that it deserves the heartiest cooperation.

## What To Do In This Market

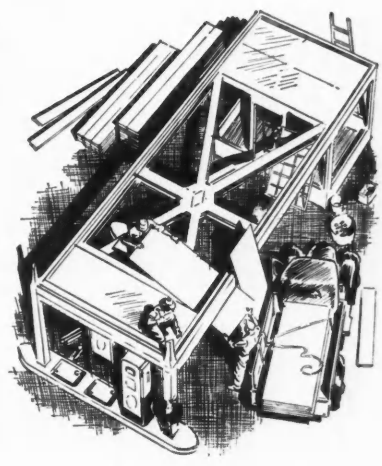
(*Continued from page* 715)

excessive. The process of working them down, involving curtailment in new orders, will leave a further gap in production.

Fourth, the present high level of production is supported by a record volume of capital outlays for new plant and equipment. This is subject to sharp curtailment when receding sales, prices and production induce a less confident psychology.

It is possible that the discounting of the recession was completed at the market lows of last autumn, but adequate assurance on that point remains to be provided by the actual test of market action in nearby weeks or months. Meanwhile, the indications call for no new commitments and a continued cautionary attitude, at least until technical signs are more revealing. — Monday, March 24.

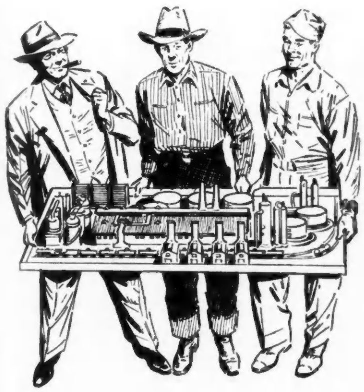
# Net Profit $253$^{\underline{26}}$

**1. In 1946** the owners of Union Oil Company made a total net profit of $8,867,023. Most of us will admit that almost 9 million dollars is a lot of money. But what many of us fail to consider is that those profit dollars were divided among a lot of people.

**2. For Union Oil Company** is owned not by 1 man or 2 but by 35,012 individual Americans—enough to fill a good-sized ball park. Divided among that many owners, the net profits actually averaged just $253.26 per common shareholder.

**3. Even this sum** wasn't all paid out in dividends. $4,200,753 was left in the business. So dividends paid out—money that actually went to the owners—averaged just $133.28 per shareholder, or $11.11 per month. Wages paid out, plus the cost of retirement and other benefit plans, averaged $3,522.70 per employee, or $293.56 per month.




**4. In other words,** while Union Oil Company looks pretty big from the standpoint of all its oil wells, refineries, service stations, etc., the company is actually owned—and the profits shared—by ordinary Americans like you and your neighbor next door. 70% of these owners live in the West.

**5. There are** 56 in Spokane, Washington; 10 in Grants Pass, Oregon; 177 in Bakersfield, California, etc. 2,150 are Union Oil employees. The average shareholder owns 133 shares—about $2,900 worth on today's market. Some own less than this, some more; but the largest owns only about 1% of the total shares outstanding.

**6. So it is not** the investments of a few millionaires, but the combined savings of thousands of average citizens, that make Union Oil—and most American corporations—possible, and without some such method of providing the necessary tools, American mass production which is based on *free competition* could never have been accomplished.

**UNION OIL COMPANY**

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